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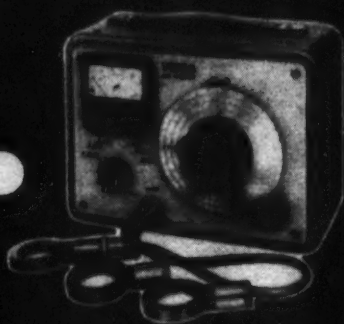
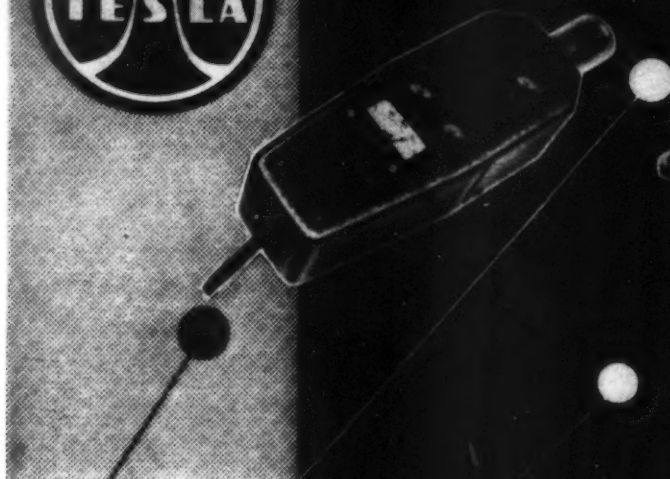
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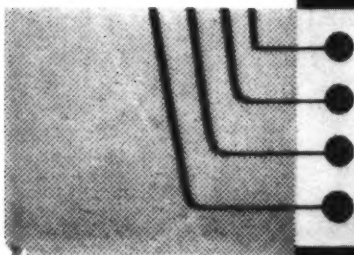
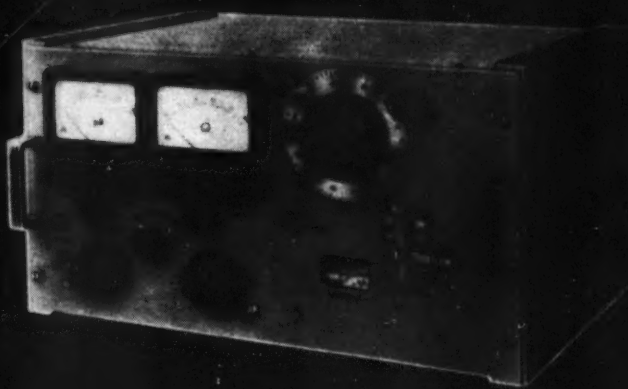
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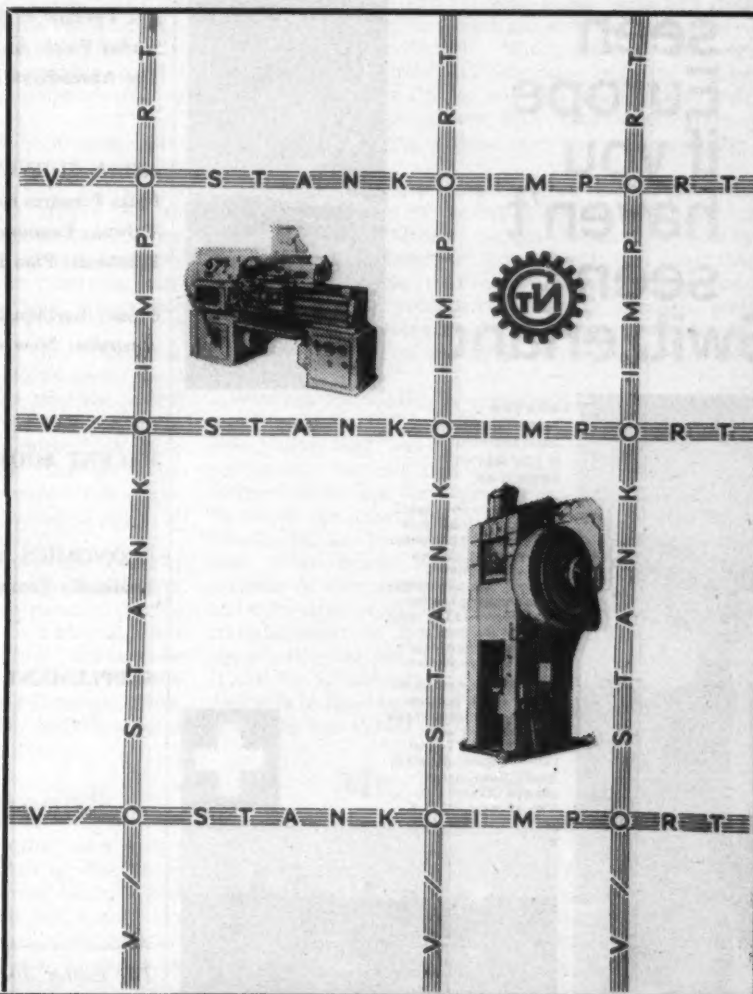
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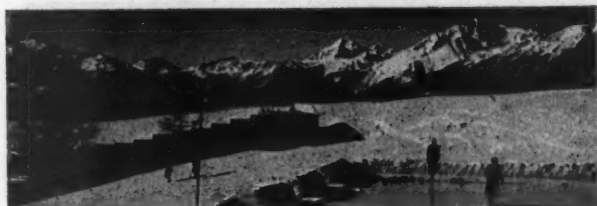
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The Editor does not hold himself responsible for opinions expressed in signed articles.

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Buddhist Head for UN

RUSSO-AMERICAN agreement to the appointment till April 1963 of Burmese U Thant as United Nations Secretary-General has a greater significance than merely that of a temporary compromise between the two powers. Not only has an Asian for the first time been chosen for this august post, but there is also an implied acceptance that the office must henceforth be occupied by someone whose country is unquestionably independent of both power blocs. It will be U Thant's responsibility to show that it is possible to fulfil all the duties of the post and still remain completely fair to all concerned.

In spite of the acknowledged desirability of true internationalism in this post, there has always in the past been prolonged controversy over the choice of both person and nationality, with the United States almost always able to muster votes and publicity to make out the Russians as the obstructionists. Gradually voting strength in the Assembly changed, making a prolongation of disputes over such technical points unprofitable for either power bloc. This made compromise possible.

Asians, Africans, probably also some in the Communist world liked and respected Dag Hammarskjöld's probity and hard work. Many of them supported him strongly against the bitter attacks of Mr. Khrushchev. Yet beyond a doubt they can all feel more confidence in the impartiality of a citizen of non-aligned Burma. U Thant himself in his acceptance speech made the point that he comes from a relatively small country which has steadfastly pursued a policy of non-alignment and friendship with all nations.

A Burmese Buddhist heading the UN will also make it easier for the Chinese, when they take their place in the organisation (which is generally expected to be soon), to co-operate with it. Many of the Afro-Asian countries have not yet entered into diplomatic relations with China, but between Burma and China relations are extremely cordial. From the American point of view, at the same time, the Burmese variety of Socialism is regarded as non-revolutionary and hence quite acceptable.

Blow to Commonwealth

MEAN and shabby—that was how the leader of the Opposition, Mr. Gaitskell, summed up the British government's immigration bill, which has now had its second reading. Racialist in principle, the Bill, apart from the moral issues it raises, is a threat to the already tenuous links which hold the Commonwealth together. It strikes at the whole conception of Commonwealth citizenship, by introducing in fact, if not in word, a category of second-class

citizens—those who, because of their lack of technical skill or educational qualifications, will not be allowed to enter the UK. This comes at a time when industry, hospitals and transport services in Britain are crying out for more labour. Mr. Butler, the Home Secretary, has admitted that these restrictions could not be applied to the Irish, owing to border difficulties, so the provisions of the bill are therefore directed against immigrants from the West Indies, India and Pakistan.

The Commonwealth countries were not consulted—they have merely been 'informed'. The reaction in these countries has been one of dismay and bitterness—and may well lead to reprisals against the British. In India, for instance, there are more British working there than there were before independence. The closing of these doors would be regrettable, but understandable.

What must aggrieve those Commonwealth countries most likely to be affected by the Bill is the fact that when Britain joins the Common Market, she will then have to abide by the provisions of the Treaty of Rome, which lays down that the movement of people from one Common Market country to another should be unhindered. Thus, in principle, unskilled workers from Southern Italy could enter the country in unlimited numbers—whilst workers from the Commonwealth could not.

Why has the British Government gone forward with such speed to get this Bill passed? The arguments against coloured immigrants—that they did not work, were unhealthy or harboured "criminal elements" can be dismissed at once. Statistics show that they compare favourably with any other section of the population in these respects. No, the reason is that the Bill has been brought to appease those elements with their "Keep Britain White" slogans who clamour that the presence of coloured people leads to outbreaks of violence and a lowering of social standards. The Bill will give positive encouragement to landlords, hotel keepers and property owners who stipulate "Europeans only" when refusing service. It can be acknowledged as the first real victory for racial prejudice in this country. It is a serious blow to humanitarian principles and should be buried with all possible speed.

Mr. Nehru's Style

IT would be rewarding for politicians and statesmen everywhere to give some study to Mr. Nehru's style of diplomacy. During his visit to America last month he said in a Los Angeles speech that a strong country does not lose its strength by using a gentle approach because strength does not reside in strong language. What effect such a statement may have on the minds of American policy-makers or their speech-writers—not to mention Mr. Khrushchev and his friends—it is hard to say. Neither Kennedy nor Khrushchev

can feel quite sure the remark was not meant for him. All Nehru's utterances, however shapeless at times and seemingly platitudinous, are characterized by accurate timing. In India his words have almost immediate practical effect—there is hardly a gap between words and the action they impel. In the world outside India, where Nehru's writ does not run with the same force, he does indeed awaken consciences and rouse hopes. But ultimately it can only be left to those for whose hopes he speaks to act for themselves.

In Moscow Nehru told Khrushchev that the resumption of Soviet nuclear tests was wrong, and in Washington he was equally frank with Kennedy about American tests. Nehru does not rest content with words, but urges action (in spite of his modest disclaimer to any ability to influence the policies of other states). He has in a sense become the arbiter of action, and it is this that gives him his world importance. In Belgrade he persuaded the nations gathered there not to lose their perspective over purely national problems, but jointly exert their influence on Kennedy and Khrushchev to meet and resolve the differences that endanger world peace. At the United Nations he urged the delegations to consider the possibility of dedicating a whole year to world-wide cooperation in the political, economic and social spheres.

The soundness of Nehru's style is demonstrated again in the evidently sincere protestations of warm friendship with India from both Khrushchev and Kennedy, though at the same time both fulminated against each other. Nehru's efforts have produced no overnight magical result, but it is impossible to deny some relaxation of tension over Berlin and certain tentative approaches for East-West negotiation consequent on the Indian leader's virile statement of the case.

In Britain, too, there are few who understand that India has lately been greatly disturbed both by the Macmillan Government's eagerness to enter the European Economic Community and by the Immigration Bill, which are regarded as steps that will lead, perhaps slowly, but inevitably, to the dissolution of the Commonwealth. India which of all the Commonwealth countries set the highest value on the association, not so much for its material gains as for its imponderable qualities, has taken these shocks with dismay, but without panic. The comparative restraint in speeches and press comments in India is due almost entirely to Nehru's influence. Nehru kept independent India inside the new, post-war Commonwealth—the most important single act to make it a reality. Yet Nehru is now resigned to the probability that the Commonwealth, potentially an experimental model for "One World", may end before very long. Nehru has often tried to make use of Commonwealth unity for promoting world peace. He must

regret to see its weight and prestige so lamentably reduced at a moment when it could have had a decisive voice.

The Innocent West

THE enigmatic Berlin "crisis" has caused the West to lose much face in Asia. There has been understandable resentment in Asian neutralist circles that world opinion and world fears were almost scientifically whipped up to tremble for a fate more horrible than death the poor West Berliners might have to endure if the Russians were to withdraw their equally horrible presence in East Berlin and to sign a separate peace treaty with the German Democratic Republic. There still has been no acceptable explanation as to what the western powers actually want in the enclave of West Berlin and why that half of a town seems more vital to them than the many far more urgent problems in Asia. In addition, much of the saintly reputation the West has tried to build up for itself in the Berlin case has been tarnished by an incident which, though not reported in the western press, was well noted in Asia. It has thrown a light on western reluctance to give a plausible explanation why, in fact, West Berlin is worth dying for; not only does it represent a useful "listening post" and a desirable stimulus for the production of war materials by supplying an ever-ready, though artificial "threat of war", but it is also a most convenient springboard for intelligence activities. And that these activities are not of a peaceful, defensive nature, but that they are apt to take dangerously aggressive forms, was revealed by a Mr. Stefan Lippolz, a former agent of the West German Ghelen spy organisation who has gone over to the German Democratic Republic.

Lippolz has an interesting past, and his story has been even more fascinating. Born in Volyn, USSR, as the son of a German settler, he moved to Nazi Germany, became an army interpreter at the beginning of the war during the invasion of Poland, and then joined the Ghelen intelligence outfit. Towards the end of the war he was captured by the Russians. Released from the prisoners of war camp after the war, he returned to Germany to resume his activities, and finally, two months ago, defected to the GDR. There is no doubt that he has been able to reveal to his present friends and former enemies some intriguing morsels of back-room knowledge, and their early publication promised to the GDR authorities will, no doubt, make some thrilling copy. But even those facts which Lippolz has described so far, throw a light on the harmless activities of the West in Berlin and help to explain much of the fears, tension and indignation which western activities have caused amongst the socialist countries. Lippolz stated that the West German intelligence service, directed against the socialist camp, was trying to compel emigres to work against the USSR and, if they refused, did not hesitate to make them disappear for ever. He described how the organisation of Ukrainian refugees in West Germany was used for this purpose not only by the Ghelen organisation but also by US intelligence services. Thus, Lippolz alleged, one of the leaders of the Ukrainian White emigre organisation in West Germany was murdered because he refused to co-operate with the Ghelen intelligence bureau. Having removed Bandera, they went about to reorganise the emigre association with the help of people obedient to them. Such tactics are, of course, not new. But they are well to remember if world tension is artificially increased by hypocritically accusing the other side of devilish machinations which the good, God-fearing West would be incapable to perpetrate.

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THERE are almost as many conceptions of the idea of neutralism as there are neutralist states. Even their common denominator, namely the wish to be left out of any quarrel between the two major forces which dominate the world scene today, is also subject to many shades of individual interpretation and tactics—as we have seen at Belgrade. Though all non-aligned nations agree that external peace is their sole chance of survival and their only hope of achieving internal development, there is great variety in their respective backgrounds which led them to adopt this policy.

In a recent article, referred to on the next page by Sir Olaf Caroe, I tried to draw attention to the fact that Afghanistan's position over Pakhtunistan cannot be ignored for ever. As this issue is bound to attract increasing international attention in the next few months, it seems desirable to know more about the spirit and the attitude which pervades Afghan policy.

Afghanistan was perhaps the first neutralist country in our times, for the non-aligned position which she today shares with many Asian and African nations, was maintained by her generations ago when she was the classical "buffer state" between Tsarist Russia and British India. At that time, those two great powers considered it essential to keep Afghanistan as a political and economic vacuum, without a railway, undeveloped and an effective turnstile barring the spreading of such others spheres of interest.

Today the situation has been almost reversed; the contending interests of both the Soviet Union and America have been sucked into the former vacuum. Afghan neutralism has been preserved, but changed from an involuntary, inactive position to a well-founded, positive political conception. And instead of isolating it, both East and West have turned Afghanistan into one of the few spots on earth where their constructive energies meet to develop and to befriend this Central Asian Kingdom, hoping to sway its sympathies in their respective favour. Thus the US is spending \$100 million and the USSR \$200 million on the development of the country. No wonder that sources not too friendly to Afghanistan have suggested that she has embraced her neutral policies because she is finding them extremely profitable.

During a recent visit to Kabul, I discussed three accusations with Afghanistan's Foreign Minister Sardar Mohammed Naim. He explained to me that his country's neutrality was deeply anchored in her traditional position and in the Afghan way of thinking. It was not a question of sitting on the fence and remaining there because of opportunism. The first important point of Afghanistan's foreign policy was to keep peace for herself and to work for world peace, as this was the only possible atmosphere for any country to achieve progress. This was a paramount question for the future, as a better world could not commence while the majority of human beings were unable to enjoy the conditions of decent livelihood. That was the principal, driving force in Afghan policy, and for this global peace was essential. The question of worldwide disarmament had to be solved, otherwise it would be difficult to ensure a lasting peace. Hunger and disease was plaguing the majority of human beings and Afghanistan, unfortunately, was one of the underdeveloped parts of the world. All her efforts, therefore, were directed towards progress, with special attention to education which was already now resulting in a new outlook, the will and the ability to create increasingly better living conditions. The Foreign Minister was happy that the advanced countries of the world were now realizing that something had to be done to help the developing peoples in their efforts to build up social progress. With this help it was

Afghan Neutralism

H. C. TAUSSIG

comparatively easy for Afghanistan to achieve higher economic standards, but one had to remember that she was a country with a long history and culture, and that real moral values had been in existence there for a very long time, and that these basic values of her cultural tradition were helping to revolutionize her social life. In other words, Afghanistan was gratefully accepting material help, but this did not alter her own characteristic way of thinking and feeling, it only was instrumental in releasing the dormant potentialities and existing feeling of the nation.

Sardar Naim stressed that foreign aid was solely aimed at improving social progress, and not the political status of the country, for Afghanistan had never played the game of power politics. "We have given our voice one way or the other only according to our own judgment on the merit of each case," he said, "nobody can accuse us of not being completely independent. Our neutrality is not a passive, but an active one, and we reserve our freedom of judgment in all questions of world importance." These main questions, the Foreign Minister said, were firstly disarmament and secondly those which deeply disturbed the world situation and thus impeded the chances of disarmament by standing in the way of relaxation of tension. Afghanistan was not interested in the formation of a third world bloc by neutralist countries. The purpose of Bandung and Belgrade was to offer an opportunity of a more direct exchange of views which might be helpful in finding a solution to the major question of disarmament and peace. The experience of the last war and the destructive power of nuclear arms had taught us that there were no longer vanquished and conquerors. War had lost its objective, for whoever would start it would suffer the same destruction and no point would be achieved. War had lost its objective, and if war itself was impracticable, what sense was there in military pacts?

Further interesting points of Afghan foreign policy we discussed concerned Algiers—where, the Minister said he could not understand the policy of the French Government. Surely, it was indefensible, and Algeria would gain independence, whether France wanted it or not. Similarly, Portugal's policy in Angola was without sense, and that African country would eventually free itself. The splitting of Korea and Vietnam was not in the interest of peace but of power politics. The artificial dividing lines would eventually disappear and these countries would be reunited again. The question of Germany was for the Germans to decide, who were advanced, educated people and who could solve their problems better than any foreign power and Laos, too, should be allowed to solve its own problems without outside interference.

By reporting on these views, I am trying to underline the well-defined and strongly-held line of Afghan foreign policy. If, therefore, Afghanistan insists that she has no territorial claims, but that she supports the demands of the Pakhtuns and that she will continue to press for a plebiscite, I repeat the opinion voiced in my previous article—without going into the rights or wrongs of the case—that Pakistan cannot for ever ignore these demands.

THE PATHANS AT THE CROSSROADS

OLAF CAROE

IN his article "Afghanistan's big step", *Eastern World*, October 1961, Mr. Taussig has set out to be even-handed in his handling of the Afghan case for Pakhtunistan. Thus he acknowledges the attention paid by Pakistan to the susceptibilities of Pathans, the progress made in the tribal belt in education, medical and social services, and the fact that President Ayub himself and many other prominent Pakistanis are Pathans. Quite so, but having said this, he comes down broadly in favour of the view that "Pakistan has inherited a fruit of colonialist sins", and that Afghanistan's leaders are determined "to see justice done to their Pakhtun brethren". Mr. Taussig supports these conclusions by saying that it is 'a situation which is deeply rooted in history and there comes a moment in history when one has to start new chapters'. Let us see how far history does in fact bear out these findings.

Near the end of his article he adduces as an historical argument the travesty that 'Afghanistan once ruled practically the whole of India'. When? Before 1747, when Ahmad Shah Abdali founded Afghanistan, there was no such State, the territories being broadly divided between the Safavi Empire of Iran and the Mughal Empire of India. After Ahmad Shah came to power and founded his State, the limit of his penetration into India was to the environs of Delhi, and he never controlled in his Durrani Empire further down than Lahore. His grandson, Zaman Shah, handed over Lahore to Ranjit Singh in the winter of 1798/99, and Ranjit Singh took Peshawar in 1823. Thus for only some fifty years did a ruler of Afghanistan hold the north-western corner of India. A Messianic memory that Ahmad Shah and his son once ruled all people of Afghan race for half a century some two hundred years ago does not supply strong justification for Pakhtunistan today.

There is further ground in history which defeats the claim of the present Afghan Government. Long before the British or the Sikhs appeared on the scene, the Eastern Afghans, whom we know broadly as Pathans, had developed separately from the Western Afghans. The former had their political and economic ties with the State ruling in the Indus Valley, namely the Mughals; the latter with the Safavis of Iran. So much were the Western Afghans—the Abdalis (Durrani) especially—turned towards Iran that they adopted the Persian language in place of their 'native' Pashto. This is still so today. The British were thus not only 'colonialists' in bringing the Eastern Afghans within the sub-continent; it was those people's historic and natural place.

Again, Mr. Taussig's article, in common with other writings, tends to confuse the six administered Districts from Hazara to Dera Ismail Khan with the tribal belt. Both are equally Pathan or Eastern Afghan. But the Durand Line did not define the Districts, only the limits of the tribal belt west of the Districts which by agreement with Amir Abdurrahman in 1893 (not 1894 as given by Mr. Taussig) was excluded from Afghanistan. The Districts came within British India in 1849 after the Sikh Wars. It is important to recognize that Kabul now includes not only the tribal belt but the Districts also in its putative Pakhtunistan. But does anyone but the Russians seriously suppose that people who

have been in British India for 100 years and with Pakistan for 15, really want to join an Afghan system still under the patriarchal rule of a single Durrani family, however noble and distinguished?

The present rulers of Afghanistan belong to the Yahya Khel family of the Muhammadzai branch of the Barakzai Durrani (Abdalis). King Zahir Shah, his Prime Minister Sardar Daud Khan, and his Foreign Minister Sardar Naim Khan, are great-grandsons of Yahya Khan, who was the son of Sultan Muhammad Khan, governor of Peshawar in Sikh days. May I be allowed to quote from my book *The Pathans* a sentence which suggests one reason for Afghan ambitions towards the North-West Frontier? "It is never to be forgotten that the present ruling family are the direct descendants of the Peshawar Sardars... the lure of Peshawar is a passion, deep in their hearts."

And what about the extent of this Pakhtunistan? It is shown on Afghan maps as embracing not only the territory inhabited by Pathans between the Indus and the Durand Line but also the whole great square of Baluchistan in the south, and Chitral, Gilgit, and even Baltistan in the north. No part of Baluchistan south of Quetta, and no one of the territories named in the north, is Pathan country at all.

There are other sentences which, honourably stated, do in fact mislead. "With fanatic determination did the Pakhtuns resist any pacification (by the British)". Yes, but this chivalrous warfare was directed by the tribes to maintain their tribal independence, an independence enjoyed even in the hey-day of Akbar, and not in any way designed for purpose of joining up with the Afghan State. Again, speaking of the 1947 Referendum, the author says correctly that the Pathans were not asked if they wished to join Afghanistan or to form their own State. Why should they have been so asked? Ancient history apart, they had been for a hundred years a part of the sub-continent; how could the British on handing over power, suggest the severance of any part of that domain under transfer? Abdul Ghaffar Khan has been mentioned. He is a great, if controversial, figure. He certainly did not want to go in with Jinnah or Pakistan, but as certainly he did not intend to adhere to an Afghan State. Those who now cite him as having really envisaged an entirely independent Pathan state should read Dr. Sayeed's book, *Pakistan, the formative phase* (*Eastern World*, November 1961, p. 26—Ed.)

Again, Mr. Taussig says that over 50 per cent. of the population refused to vote in the Referendum. This is incorrect. Rather over 50 per cent. of all the registered voters voted in favour of adherence to Pakistan, and about 2 per cent. against it. And that in spite of the boycott by the then leaders of the Frontier Congress, the Khan brothers.

This catalogue of criticisms needs to be qualified by one general conclusion. There is indeed such a sentiment as Pathan national pride, just as there is such a thing as Scottish or Welsh national pride. And a very proud and powerful emotion it is. To a large extent this "Pakhto" is peculiar to the Eastern Afghans, that is the Pathans, and it is rooted in the fact that no ruler in history, not the Afghan Sultans of Delhi, not even the Great Mughals, not the Durrani, not

the Sikhs, not the British either, not Pakistan, ever brought under administration and taxation tribal fastnesses such as Dir, Mohmand, Tirah, or Waziristan. The tribes are, and they remain, passionately attached to this local autonomy. But they know that their resources will not support all the paraphernalia of a State, and they are too shrewd realists to be attracted by a slogan of Pakhtunistan. They do not fail to detect behind it an acquisitiveness which they would never brook. So far as States are concerned, they are prepared to give their allegiance to that State which gives them service in Army, militias and other honourable callings, the more so in that their economic ties are in the cities on that side.

SARDAR PATEL: An Evaluation

B. KRISHNA

FOURTEEN years after Independence when India still faces serious threats to her national unity, many minds go back to a relatively forgotten man who died in 1950. He is Sardar Vallabhbhai Patel, known during his lifetime as the Strong Man of India. And like all Strong Men, he had created either devoted admirers, or uncompromising and relentless critics. To the outside world he was comparatively unknown and less understood, as he was neither a philosopher nor a propagandist; he was essentially a man of action, and his actions were silently directed towards the building up of his country.

An evaluation of his personality, however, was made nine years after his death, in 1959, by two competent authorities: one by Maulana Azad in his controversial book *India Wins Freedom*, and the other by Michael Brecher in his brilliant political biography of Mr. Nehru. Whereas Maulana Azad's evaluation is considered by many as gross misrepresentation of the Sardar's actions and motives, particularly those relating to the country's partition, the latter's underestimation has largely been due to a foreigner's lack of proper perspective.

The main motive which seems to have actuated Maulana Azad to write his book, as he has himself admitted, was to place "on record that the man in India who first fell for Lord Mountbatten's idea (of partition) was Sardar Patel". It is rather intriguing to many that such an important statement, though coming from a man of Maulana Azad's status, is somehow not supported by historical facts. It is far from true that the Sardar fell for Lord Mountbatten's idea, as the idea of partition was not Lord Mountbatten's; his original plan, according to Mr. V. P. Menon, was to hand over power to the provinces. Sardar Patel, on the other hand, seemed to have made up his mind long before such an idea took birth in Lord Mountbatten's mind.

Lord Mountbatten arrived in India on March 22, 1947. But the Sardar had come to recognise the inevitability of partition no sooner than Lord Attlee had made clear in unmistakable terms, in his policy statement of February 20, in the House of Commons, the British Government's "definite intention to take necessary steps to effect the transference of power to responsible Indian hands by a date not later than June 1948". Lord Attlee had further said: "His Majesty's Government will have to consider to whom the powers of the Central Government in British India should be handed over, on due date, whether as a whole to some form of Central Government for British India, or in some areas to the existing Provincial Governments, or in such other way as may seem most reasonable and in the best interests of the Indian people".

Before Lord Mountbatten arrived in India, it had become as clear as daylight that the British would leave the country. It had also become clear that they would not hand over power to any Central Government singly controlled either by the Congress or

Whatever may have been the reasons for the amalgamation of all the West Pakistan provinces in one unit in 1955—and they were cogent—there is no doubt that to the large majority of Pathans the decision was unwelcome. Peshawar, their city, was no longer a capital. Where then stand the Pathans?

It may be that, like the Scots in Britain and the Pathan rulers of Delhi before the Mughals, they will realize their destiny through control of a larger organism. But the Scots in Britain retain a Scotland with its own customs, its own law, its own famous capital city. The Pathans too need a local focus for their historic pride if they are to attain their full stature in a new world.

the Muslim League. What was, however, not clear was to whom they would, in the end, hand over the country. Lord Attlee's reference to the "existing Provincial Governments" might have been intended to inject among the Indian leaders, both Congress and League, a sense of realism; to make them recognize the dangers of the impending chaos if they continued to be uncompromising. Far from achieving that, such action hardened the Muslims' attitude, as they felt that Pakistan, a dream till then, was now clearly written on the wall. A proof of this can be found in the League's intensification of their "direct action" campaign, as well as in the desertions of some prominent Congress Muslims in the Muslim majority areas, who thought it to be more prudent to side with the party that would ultimately rule the province.

Lord Attlee's statement on the Indian States that "His Majesty's Government do not intend to hand over their powers and obligations under paramountcy to any Government of British India" was equally disturbing. Grave fears entertained by Sardar Patel and others in this regard found confirmation in the discussions that took place at Lord Mountbatten's Staff meeting on March 26, 1947, at which Sir Conrad Corfield, Secretary to the Political Department, admitted of his support to the Nawab of Bhopal who was secretly conspiring against the Princes' joining the Indian Union; and also his support to efforts being made to set up the Princes as "a potential Third Force". This idea of a Third Force also finds some confirmation in the move made during the debate in the House of Commons on the draft India Independence Bill that the Princes should be allowed to retain their armed forces.

A storm had, thus, gathered on the horizon and was fast descending on the country; Mr. Jinnah had, in fact, given a clear indication of it earlier in September, 1946, when he had declared: "India stands on the brink of ruinous civil war". If the impending chaos was to be averted, swift action was imperative. But the majority of the Congress leaders, including Mahatma Gandhi and Mr. Nehru, lived in a world of their own, far removed from the realities of the situation. Sardar Patel was the only exception. He showed a deep, incomparable shrewdness and foresight, and a clairvoyant vision. He alone appreciated what was emerging out of the internecine war between the Hindus and the Muslims. He alone could grope his way in the enveloping darkness. In contrast with such realism, Mahatma Gandhi remained rigidly clung to his life-long philosophy of Hindu-Muslim unity and Mr. Nehru wavered between his guru's idealism and the new realities which threatened to erupt like a volcano.

That Sardar Patel had come to a decision prior to Lord Mountbatten's arrival in India is evident from the Congress Working Committee's resolution, passed in the first week of March, 1947, to which Maulana Azad was a party, favouring

partition of the Punjab into Muslim and Hindu majority zones. The decision, as the Sardar explained to the Mahatma, was taken "after the deepest deliberation", and that "nothing has been done in a hurry or without full thought". He had clearly seen, as Lord Auchinleck had realized later in April, that there was no alternative to partition, and the country faced a danger of unprecedented magnitude which required bold, swift action. The situation was fraught with not merely Balkanisation of India, but its complete ruination. The country was being pushed to the brink of an abysmal disaster.

Great forces had been working for some time towards such an end. On the one hand, the League had manoeuvred to enter the Interim Government with a view to wrecking it from within; and Mr. Jinnah's triumph lay in completely paralysing the governmental machinery. The Interim Government was rendered so sterile as to make Mr. Nehru and Sardar Patel helpless and exasperated spectators to many "ghastly sights" and to tolerate "behaviour by human beings which would degrade brutes". On the other, there were deliberate behind-the-scenes efforts to set up 562 Princes as independent puppets, which would have developed into so many ulcers in the country's political and economic organism. Till Independence the Princely States were considered as Britain's Fifth Column in India; now some of them, under the leadership of the Nawab of Bhopal, were already acting that role for Pakistan. On top of this was the preparedness of the Muslim masses for a do-or-die civil war for which Mr. Jinnah had sounded a clarion call as early as July 29, 1946. "This day we bid goodbye to constitutional methods," he had said, adding: "I also am going to make trouble." And the 'Great Calcutta Killing' of August 16, to borrow an expression used by the British-owned daily the *Statesman*, was a clear demonstration of the Muslim League's policy of "bloodshed and civil war", which was to continue till the British bowed down to Mr. Jinnah's threat: "There is no possibility of an end to India's civil strife unless Pakistan is absolutely achieved."

In such circumstances, it was India's good fortune that Sardar Patel was holding, in spite of Maulana Azad's opposition, the Home portfolio. In that capacity no other person could have been better placed than him to appreciate the extent of the League's preparedness. Lord Mountbatten merely confirmed Sardar Patel's reading of the situation when he said: "India in March 1947 was a ship on fire in mid-ocean with ammunition in the hold." To what extent Mr. Jinnah was prepared to go in his do-or-die struggle found confirmation later in October 1947 when he ordered General Gracey, Pakistan's first Commander-in-Chief, to occupy Jammu located within Indian territory. Had the British General not 'wisely' disobeyed Mr. Jinnah, a full-scale war between India and Pakistan would have been the inevitable result of such an action. And the situation within the country was no less explosive. In Delhi itself there was the fear of the police, more than 80 per cent of whom were Muslims, revolting. The situation was saved by the timely action of confining them to barracks and by the imposition of an 84-hour curfew. The Government thereby gained time to secure replacement from elsewhere. With the Army engaged in Kashmir, freeing the land from the ravages of tribesmen from across Pakistan, a police revolt, together with that of some of the Princes, would have proved crippling, if not disastrous, to the new-born nation's already weak health.

Those Indians who lived in the Punjab before partition could appreciate Sardar Patel's estimate of the situation much more clearly than others. Muslim mobs numbering 1,000 and even more, led by League National Guards, moved on isolated, defenceless Hindu-Sikh villages as if like a regular army, equipped with Bren-guns and Sten-guns which the Allied forces had used in the Second World War. How and to what extent the League had organised the Muslim masses with the help of those in the Government and in the Army was perhaps the greatest worry of the Sardar. He knew, like the stern realist he was, that in such a fight the Congress, having wedded itself to non-violence, would be driven to the wall in no time.

As a second line of attack, the Muslim League is reported to have built ammunition dumps round the cities of Lahore and Calcutta to scorch-earth them in the event of their going to India. The story goes that one such plan about Calcutta fell into the hands of the Congress. This probably led Sardar Patel to reverse an understanding reached earlier that both the West and East Bengal Governments would function, though temporarily and independently, from Calcutta; a similar understanding related to the West and East Punjab Governments, both operating from Lahore. Apart from allowing the new Governments the time required to settle down in their new capitals, it would have helped smooth transfer of power in the two strife-torn provinces by not letting the minorities being inflicted with fear complex, as well as subjected to the mercies of unsocial elements which did happen in its absence.

Having known the situation so well, and having come to the conclusion that almost all Muslim officials in the Government, right from the top down to the chaprasi (peon), were working for the Muslim League, Sardar Patel could not have remained blind to the inescapable truth that there was no alternative to partition if the country were to be saved from chaos and ruin. It would not, therefore, be fair to say, as Maulana Azad has put it, that the Sardar threw his weight in favour of partition "out of irritation and injured vanity". He was largely influenced by the fact that his nine months in office in the Interim Government had completely disillusioned him, as well as Mr. Nehru, of the supposed merits of the Cabinet Mission Plan of May 16, 1946. The partition plan was favoured not so much out of fear, as the Sardar explained his action, but being the only means left to save the country from going to the dogs. It was, to use his analogy, agreeing to remove the poisoned limb of the body before letting the disease affect irreparably the entire organism.

The year 1947, therefore, stood no comparison with 1946. Political events had moved so swiftly as to make old concepts lose their significance. The previous year Sardar Patel had himself argued with Mahatma Gandhi for the acceptance of the Cabinet Mission Plan. But in 1947 the climate prevailing in the country did not justify a similar attitude. Maulana Azad's efforts to resurrect the Plan in 1947 were like flogging a dead horse; it was running counter to the flow of events, both strong and irrevocable. His conviction that it was "the best solution from every point of view" did not ring any truth. Nobody was prepared to believe him in 1947 that the Plan "preserved the unity of India and gave every community an opportunity to function with freedom and honour".

Looking back to the events now, it appears that the Cabinet Mission Plan would have proved most inimical to the interests of non-Muslims. The Mission had no doubt categorically rejected the concept of Pakistan as such. But it had gone a long way to placate Mr. Jinnah by conceding it in another form. The Council of the Muslim League, though voicing Mr. Jinnah's views, had rightly seen in the grouping of the six Muslim provinces "the basis and foundation of Pakistan". Mr. Jinnah, however, by sitting on the fence longer than he ought to have, overplayed himself. Unlike any previous occasion, he proved tactless in showing his cards before the game was over. It was inopportune for him to have opened the issue of compulsory membership of groups. He could have easily taken care of it later. To have rejected the Plan merely because Mr. Nehru had declared that there was a "big probability" that there would be no grouping was perhaps the greatest tactical blunder of Mr. Jinnah's entire political career.

The Cabinet Mission Plan would have installed Mr. Jinnah as a virtual ruler of B and C zones (the eastern and the western), which would have included not only the whole of the Punjab and Bengal, but also Assam. In the creation of the zones he would have achieved a Pakistan which would not have been truncated and moth-eaten as in 1947. And by enjoying powers to exercise veto at a weak Centre, Mr. Jinnah would have had the whole of India lying prostrate at his feet, helpless and defeated.

To Mahatma Gandhi partition no doubt "sounded like a com-

of despair". But to Sardar Patel it had become an act of supreme necessity and wisdom in 1947. It was with much reluctance and a profound sense of mental agony that he had to "provoke" the noblest of thoughts. There was the impelling desire to save the country from utter ruin. In a letter to the Mahatma on August 11, 1947, he revealed the Muslim (Khaksars) plan to make Delhi the centre of a fight for gaining territory up to Agra and Ajmer in Pakistan.

An equally urgent motive, perhaps, was to rescue those of the Punjabees and the Bengalees who had stood by the Congress over the past 30 to 40 years through thick and thin. If he had not acted, history would have recorded this as a Great Betrayal of a people who had sparked a new signal for the freedom struggle by spilling their blood at Jallianwala Bagh in Amritsar in 1919, as well as those who had given sustenance to the independence movement, ever since 1905, by providing the necessary emotional stimuli through patriotic songs like *Bande-Matram*. Betrayal of such a brave and courageous people would have been most unbecoming of a great organisation like the Congress. The guilt would have left an indelible mark on its fair name. And the resultant anger might have risen to an uncontrollable fury.

Michael Brecher, like Maulana Azad, is equally unfair to Sardar Patel in calling him "a relatively unknown lawyer in his early forties when he came under the Mahatma's spell". Facts, on the other hand, show that on joining the Congress in 1917, Sardar Patel was a noted "blood" and had given up a very lucrative legal practice; he had enjoyed the reputation of being a top criminal lawyer in the old Bombay Presidency. Nor is it fair to Brecher's part to judge Sardar Patel as "a party boss with limited vision . . . generally dour and ruthless, unimaginative . . . never attained Nehru's stature, not even within India. Nor did he ever capture the imagination of the peasantry as a revolutionary leader".

It was some sort of divinity that took Mahatma Gandhi to Sardar Patel in the Gujarat Club at Ahmedabad one day in 1916-17. As Swami Vivekananda was disdainful of his master, Sri Ramakrishna, at their first meeting, so was Sardar Patel's attitude towards his future guru . . . scoffing at the Mahatma's queer "vapourings", not even bothering to listen to the speech he delivered to the Club members. In Sardar Patel Mahatma Gandhi was destined to have "a John the Baptist", a man capable of taking over command from him whenever necessary. Of all Congress leaders, he alone was permitted to do so by the master. A no doubt redounds to Sardar Patel's credit that he successfully led the Kheda Satyagraha in 1918, the Flag Struggle at Nagpur in 1923 and the Bardoli Satyagraha in 1928—all within a short period of 10 years.

Mr. Nehru has noted that Bardoli became a sign and a symbol of hope and strength and victory to the Indian peasant. Bardoli equally proved a precursor of the India-wide freedom struggles to follow. It was largely responsible for transforming the sullen, pessimistic climate of 1926-27 into one surcharged with seething unrest. More than that, perhaps, it breathed a new life into Mahatma Gandhi who had suffered a double loss on the partial success of the Non-cooperation Movement in 1921-22. First, a loss of prestige in not being able to preserve the much-talked Hindu-Muslim unity and brotherhood so hopefully planted and nurtured under the Khilafat Flag. Secondly, a loss of power at the hands of the Swarajists whose ascendancy to power had become almost unchallengeable in the wake of the Mahatma's failure to achieve his objectives.

The task that confronted Sardar Patel was to gain power for the Gandhian group within the Congress. Also, to build up a party machine capable of conducting a non-violent struggle against the British might under the Mahatma's leadership. It was a herculean task, bristling with innumerable difficulties. The country was a sub-continent; populated by over a 90 per cent illiterate people whose homogeneity was lost in the scores of religious and other minorities. And the Congress itself had a heterogeneous character—a gathering of people of strikingly varying tempera-

ments, faiths and ideologies. The Sardar's task was to weld them into a compact body which could give a united fight to the British. Not only was he admirably successful in that, his success in gaining power for the Gandhian group, as opposed to the Leftists led by Mr. Nehru and Mr. Bose, always proved a pillar of strength to Mahatma Gandhi's leadership.

Sardar Patel also showed considerable foresight in organising the Congress Parliamentary Board in the early thirties, in spite of strong opposition to Council entry from the Congress Left. This act proved its worth, and yielded handsome dividends in 1947. Had he neglected this side of the party organisation, the Congress would have remained a body of agitators capable of enacting Tammany Hall scenes only. But the administrative and parliamentary experience gained between 1937 and 1939 gave the Congress a maturity that enabled its leaders to take over power in 1947 with the least difficulty; in contrast, that was woefully lacking in Pakistan.

But for that perhaps the prophecy by some British statesmen of chaos and ruin following Independence would have come true. In particular, Mr. Churchill had declared that "in handing over the Government of India to these so-called political classes, we are handing to men of straw, of whom in a few years no trace will remain". Sardar Patel not only belied that hope, but proved himself the Strong Man of India, and a party boss who possessed a penetrating vision, a matchless skill and an incomparable organisational ability. The Congress which won power from the British was no doubt his creation, although it drew its entire inspiration from Mahatma Gandhi.

As a party boss Sardar Patel had proved his unique qualities of leadership. But with India becoming independent, he was called upon to show his powers of statesmanship in tackling the intricate and baffling problem of States integration. In a letter of August 11, 1947, to Mahatma Gandhi, the Sardar admitted that he was much worried about the problem of the Princes. He complained: "There is no end to Bhopal's Machiavellian moves. He is working day and night to divide the Princes and wean them away from the Indian Union." Upon this the Mahatma wrote: "The Princes problem is so dangerously difficult that you alone will be able to handle it." That was no small tribute from the Father of the Nation. And Sardar Patel fully justified the confidence reposed in him. His success was resounding. He was acclaimed all over the world as another Bismarck or Cavour.

The Sardar's success seems to be even greater. His fight was non-violent. His weapon was largely persuasion. It was spread over a much bigger area, and against 562 Princes receiving support from the vanishing British diehards in India. It was, as Campbell-Johnson has recorded in *Mission With Mountbatten*, "a bloodless revolution and a political achievement of the first magnitude, largely lost sight of abroad on account of more lurid and dramatic news, among which must be counted events in those three States (Hyderabad, Kashmir and Junagadh) who failed to accede by August 15". Sardar Patel's success lay in two directions: in giving the new-born India both a sense of stability and unity. In less than a year's time he reduced Princely States from 562 to only 26 administrative units, extending democracy to nearly 80 million people who comprised 27 per cent of the total population. As India's Home Minister, he conducted "a ship on fire in mid-ocean with ammunition in the hold" to safe anchorage.

Can we still call Sardar Patel "a party boss with limited vision . . . generally dour and ruthless, unimaginative", who "never attained Nehru's stature, not even within India"? A comparison is neither desirable, nor is it becoming. But this much can be said with certainty that the Sardar was always a Sardar (meaning a leader) in the real sense of the appellation; a giant who strode the land unchallenged, even as Deputy Prime Minister, between 1947 and 1950. Mr. Bozman, who was Sardar Patel's Secretary in the Information Department of the Government of India prior to Independence, one day remarked that the Sardar was the strong man among the Indian leaders, who was capable of invoking "a veto just as crippling as anything known at UNO".

THE AHMADIYYA MOVEMENT IN ISLAM

STANKO M. VUJICA

MUHAMMAD ALI JINNAH achieved Pakistan by stubbornly insisting that Islam had moulded its adherents into a separate nationhood, and that the Muslims of India, in consequence, were entitled to having a homeland of their own. But the Quaid-i-Azam ("The Great Leader"), as the grateful nation calls Jinnah, was deeply steeped in the British tradition of liberal democracy, and he wanted Pakistan to be a modern democratic state with sovereignty resting in the people and the members of the new nation having equal rights of citizenship regardless of their religion, caste or creed. In his memorable speech of August 12, 1947, to the Constituent Assembly of Pakistan he told his people:

"You are free; you are free to go to your temples, you are free to go to your mosques or to any other place of worship in this State of Pakistan. You may belong to any religion or caste or creed—that has nothing to do with the fundamental principle that we are all citizens and equal citizens of one state. . . . Now, I think we should keep that in front of us as our ideal, and you will find that in course of time, Hindus would cease to be Hindus, and Muslims would cease to be Muslims, not on the religious sense, because that is the personal faith of each individual, but in the political sense as citizens of the State."¹

These were noble words, worthy of a founder of a nation. During the ten-year period between Jinnah's death in 1948 and the revolution which brought to power the present military regime of President, Field-Marshal Muhammad Ayub Khan in 1958, though lip service was paid to the Founder, many of the ideas and ideals of his political philosophy were openly challenged by a number of Muslim theologians and quietly disregarded by some vote-seeking politicians. One of these was Jinnah's conception of a modern national state in which religion is a private affair; this, it was claimed, was utterly incompatible with the ideal of an Islamic State, the ideal which gave Pakistan her *raison d'être*. And yet in day-to-day dealings with the non-Muslims, both the Government and the people of Pakistan have followed the political philosophy of the Founder rather than that of the torch-bearers of Orthodoxy. For a country which came into being on the issue of religion, and in which Islam is still a fighting word, Pakistan's record of religious tolerance has, on the whole, been remarkably good.

The 1953 Disturbances

There was one conspicuous exception, however. In the spring of 1953 widespread disturbances, as they were euphemistically called, broke out in Lahore and other cities

in the Punjab. For several days the mob roamed around the crowded streets and bazaars shouting slogans and threats, burning, plundering and—killing. A heresy hunt of such proportion and violence had not occurred even in the strife-torn Punjab within the memory of the living generation. The riots were quelled only after the military were called; in Lahore Martial Law had to be proclaimed. What happened?

A 387-page Report published by the *ad hoc* appointed Court of Inquiry, contains an unusually thorough and frank, as well as judicious, account of the background of these disturbances.² From it we learn that the bloody riots were deliberately incited and organized by a group of Muslim religious and political organizations after their ultimatum had been turned down by Khwaja Nazim-ud-Din, the then Prime Minister of Pakistan. The ultimatum had threatened the use of force unless within a month the Qadian Ahmadis were declared a non-Muslim minority and Chaudri Zafrullah Khan, the Foreign Minister who is an Ahmadi, and other Ahmadis occupying key posts in the state were removed from their offices. The implication of the ultimatum was clear: in an Islamic State there is a fundamental distinction between the status of Muslim and non-Muslim subjects, one important distinction being that the non-Muslim cannot occupy high offices in the state; hence the demand for the dismissal of the Foreign Minister and other Ahmadis in key State positions. This reasoning, which marked a sharp departure from the principles of the Founder of Pakistan, naturally aroused great apprehension among the non-Muslims. Even now eight years after these unfortunate events, feelings run high on the issue of Ahmadiyyat; the mere mention of it is still likely to put an end to any intelligent conversation and to turn a dignified party into a shouting contest. This is, of course, true particularly for Pakistan, but also, to a lesser degree perhaps, for Afghanistan, Indonesia, Middle East, Africa and the rest of the Muslim world.

Mirza Ghulam Ahmad: The Founder

Who are the Ahmadis? What is it about them that could bring the otherwise passive and tolerant Muslim masses to such a pitch of excitement and hatred that they would go out in the streets ready to scream, to destroy, and to murder?

As so often happens, it all started with one man and his visions. The Ahmadiyya movement was founded some eighty years ago by Mirza Ghulam Ahmad, the "Promised Messiah", as his followers call him now. He was born in 1835 in the Punjab village Qadian in the district of Gurdaspur. His land-owning family was deeply steeped in the tradition of Sufism, the Muslim brand of Mysticism. Although Mirza Ghulam

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1. Quoted in Bolitho, Hector, *Jinnah Creator of Pakistan* (London: John Murray, 1954), p. 197.

2. *Report of the Court of Inquiry constituted under Punjab Act II of 1954 to inquire into the Punjab disturbances of 1953* (Lahore: Superintendent, Government Printing, 1954). The report is known and will be referred to in this paper as *The Munir Report* by the name of the presiding judge.

Ahmad had no formal education, it is obvious that he was familiar with Muslim religious literature; he himself was a prolific writer in Urdu. In 1879 he made the startling claim of being the recipient of a divine revelation which continued throughout the remainder of his life. To support the authenticity of his claims he attributed to himself the gift of "mighty signs"—notably the gift of prophecy. It is said that he predicted the death of no less than one hundred and twenty-one persons. One of these was the death of Pandit Lakh Ram, his chief antagonist in the Arya Samaj, who was soon afterwards murdered. As a result the Government of the Punjab issued an order on February 24, 1899, prohibiting him to publish "any prediction involving the disgrace of any person, or in which anyone should be represented as an object of God's displeasure . . . or the Divine wrath".³

By the time of Mirza Ghulam Ahmad's death in 1908, solid foundations had already been laid for the new movement or *ahmadiyya* (organization) which, after the Founder, was called Ahmadiyya.

Punjab—End of the 19th Century

In order to understand the nature of Mirza Ghulam Ahmad's revelations, which constitute the distinctive beliefs of Ahmadiyyat, it is perhaps well to recall the religious situation in the Punjab in the second half of the nineteenth century. Islam had been slow in reacting to Western science and philosophy, but once that reaction came it was in the nature of a shock. There was no denying that worldly greatness had been slipping out of Muslim hands, and that they had been lagging far behind in scientific, technological and economic accomplishments. This was all the more bewildering to the Muslims as it seemed to contradict such Quranic sayings as, "Power belongs to God, and to His apostle and to the believers," (63 : 8), and "You are the best community sent forth unto mankind" (3 : 110). Within Islam itself there had been disturbing signs of slackening of faith and zeal; indeed it looked as if this was the time described by the Prophet in a well-known hadith as the time "in which nothing will be left of Islam except its name, and of the Qur'an nothing except its text".

Thinking believers could not help wondering what had gone wrong, and a cry for reform was heard throughout the Islamic world. In the Punjab there seemed to be a special need for immediate action. There had been substantial conversions to Christianity and for a moment it looked as if there was no way of stopping this new dynamic religious force on the Indian subcontinent which happened to be the religion of the rulers of India as well as the religion of the prosperous and progressive West. At about the same time a great stir was aroused in the Punjab by an energetic Brahmin Dayanand Saraswati, and his Arya Samaj. This was a nationalistic Hindu religious organization whose objective was to restore the ancient glory of India by purging Hinduism of the accretions of idolatry, polytheism and superstition accumulated for centuries and returning to the pure and noble monotheistic teachings of the Vedas. In the Arya Samaj scheme of things there was no room in India for such foreign religions as Islam and Christianity; a great "re-conversion" movement to purified Vedic Hinduism was envisaged. Lahore, the capital of the Punjab, became the headquarters of the movement.

Moribund Islam?

Mirza Ghulam Ahmad's devout and brooding mind must have been greatly disturbed by these developments. He had no doubt that Islam was the most perfect religion, but he also knew that something drastic had to happen to convince others, including some of his fellow Muslims who had begun to wonder and doubt. Something had to be done to revive and revitalize the apparently moribund Islam if it was not to succumb to the combined assault of Western ideas, resurgent Hinduism and advancing Christianity.

Among his own co-religionists in India two courses of action had been advocated. The majority of the Orthodox ulama were of the opinion that the West and everything it stood for had to be fiercely resisted, and that the solution to the Muslim dilemma laid in going back to the practices of the Holy Prophet and the first four "rightly guided" khalifas. The liberals, on the other hand, like Sir Sayyid Ahmad Khan and his Aligarh movement had been urging the Muslims to make peace with the modern world of science which they thought quite compatible with "the spirit of Islam", to use the phrase made popular by the title of the famous book of Amir Ali.

Mirza Ghulam Ahmad chose the middle path between static orthodoxy and extreme rationalism. But more than that was needed, he felt. The revitalizing of Islam could be achieved only through an inspired leadership of a prophetic personality freshly commissioned by God. Furthermore, the examples of the Hindu Samaj, and Christian Missionary societies convinced him that Islam to be effective needed a similar kind of organization. And, finally, if Islam was to make an appeal to the non-Muslim world, it had to find a way of reaffirming in a modern form the old Islamic thesis that Islam is the culmination and synthesis of all religions embodying whatever is good in them.

This analysis does not at all imply that the Founder of the Ahmadiyya Movement was a deliberate impostor. Indeed there is no more reason to doubt his sincerity than that of hundreds of others who heard the voice from above. The fact is, however, that the "voice" entrusted Mirza G. Ahmad with what seemed an awe-inspiring role. He claimed to be a prophet, the Christian Messiah, the Muslim Mahdi, the Hindu avatar, and Mesio Darbahi for Zoroastrians (Parsis). To quote his own words:

"My advent in this age is not meant for the reformation of the Mohammedans only, but Almighty God has willed to bring about through me a regeneration of three great nations, viz. Hindus, Mohammedans and Christians. As for the last two I am the promised Messiah, as for the first I have been sent as an Avator."⁴

The present Qadian Ahmadi Khalifa, who is the son of the Founder, describes his father's role in the following words: "Our belief is that all these things are to be found in the Holy Founder of the Ahmadiyya Movement Hazrat Mirza Ghulam Ahmad (on whom be peace and the blessings of God) whom God raised for the reformation of the present age. He claimed to be the Messiah for the Christians, the Mahdi for the Muslims, Krishna or the Neha Kalank Avatar for the Hindus, and Mesio Darbahi for the Zoroastrians. In short, he was the Promised Prophet of every nation and was appointed to collect all mankind under the banner of one faith. In him were centred the hopes and expectations of all nations; he is the Dome of Peace under which every nation may worship its Master; he is the opening through which all nations may obtain a vision of their Lord; and he is the centre at which meet all the radii of a circle. It is ordained, therefore, that

3. J. N. Farquhar, *Modern Religious Movements in India* (London: Macmillan and Co. 1929), pp. 143-144.

4. *Review of Religions*, Qadian, November 1904, p. 410.

the world shall find peace and rest only through him. Being a Persian by race, he was the Promised one of the Zoroastrians; being an Indian by birth he was the Promised one of the Hindus; being a Muslim by faith he was the Promised one of the Muslims; and having come in the spirit and power of Jesus, bringing remedies for the reformation of the social evils prevailing in Christian countries—evils, which have laid an intolerable burden on the backs of the Christian nations—having been born under a Christian Government, and also having defended the honour of Jesus against the attacks which have been levelled at it for hundreds of years, he was entitled to be recognized as the Promised one of the Christians. All prophecies of previous Prophets were fulfilled in his person and at his hands. When the time for the fulfilment of these prophecies drew near, God informed him of it and thus showed that in him alone were these prophecies fulfilled."

The New Prophet

Let us examine these claims a little more closely. The claim to be a Hindu avatar, Parsi Mesio, which was made towards the end of his life, has not played a great role in the Ahmadi literature, and with Partition it ceased to have any practical relevance. We may therefore disregard it here.

The claim of prophethood is one which Muslims find most objectionable. It is opposed to the generally accepted doctrine of Khatm-i-nubawwat, i.e., the doctrine that Muhammad is "the seal of the prophets" (Khatam-al-Nabiyyin), and no new prophet will ever appear after him. This is the common interpretation of the Sura 33 verse 40 and is supported by several reliable hadiths. Ahmadis in their reply resort to what sounds like a spacious bit of theological quibbling, not unusual in this type of controversy. They point out that prophets are of two kinds; those who are law bearers—like Moses and Muhammad—and those who come to interpret and re-establish the Law, and to clear away the corruptions that creep into the system of a religion owing to the lapse of time—like Elijah, Isaiah, Ezekiel, and Jesus. The Ahmadi Founder is a prophet of the latter kind.

Mirza Ghulam Ahmad also claimed to be the Second Coming of Jesus. The Muslim Christology, based on the Qur'an and supported by tradition, teaches that Jesus, the son of Mary (Isa Ibn-i-Maryam) did not die on the Cross—"they killed him not, nor crucified, but so it was made to appear to them," (Sura 4: 157), but "God raised him up unto himself" (Sura 4: 158); he is still in the Fourth Heaven from where he will return in his earthly form before the Resurrection in order to defeat the Dajjal (the Anti-Christ) and usher in a Muslim millennial state of bliss and righteousness. The Ahmadis, on the contrary, believe that Jesus was nailed to the Cross, but was taken down seemingly dead but actually still alive, was revived and cured of his wounds; afterwards he secretly left Judea to preach in Afghanistan, and Kashmir where the "ten lost tribes" lived. The biblical account of the "Ascension" of Jesus refers to the separation from the disciples and departure to the Eastern lands. Jesus finally died a natural death in Kashmir where his tomb in Srinagar is still standing. Since Jesus died, Ahmadis contend, he cannot return in person;

the belief in his Second Coming can mean only that another person with the attributes of Jesus, His Messiah (Maseel) will come. That person, who came in power and spirit of Jesus, Ahmadis believe, is Mirza Ghulam Ahmad; the title they use most frequently for him is "the Promised Messiah".

The belief that Jesus died a natural death was so essential to his claim that the Founder of Ahmadiyyat did not hesitate to break away from the teaching, common to Islam and Christianity, that Jesus is alive in heaven. In a revealing passage Mirza Ghulam Ahmad declared:

"If Christ was in reality exalted in body, alive to heaven, then there is not need of further controversy, and my claim to be the Promised Messiah is in vain. The reason is that my claim is based upon the natural death of the Son of Mary."

It is interesting to note that Mirza Ghulam Ahmad considered himself far superior to Him whose Second Coming he claimed to be. Just as Muhammad's dispensation excelled "a thousand times" that of Moses, so "the Messiah in the movement of Muhammad excels Jesus by a thousand measure."⁶ Ahmadi writers do not hesitate to even occasionally carp at the character of Jesus by dropping, for example, such hints as that the cry "Why hast Thou forsaken me", was cowardly; that he was offensive to his mother in the wedding feast at Cana, etc. This lends credence to Kenneth Craig's suggestion that one of the aims of the Founder of Ahmadiyya was to free Islam from a certain sense of inferiority consciousness vis-à-vis Christianity.⁷

There is no need to dwell on the claim of the Founder of Ahmadiyyat to be the Mahdi ("the Guided One"). Although some Muslim groups believe that Jesus is the only Mahdi that will ever come, the view of the majority is that the Messiah and the Mahdi are distinct persons. The Ahmadis, however, believe that the names "Messiah" and "Mahdi" express different capacities of one and the same individual and that their Founder is that individual. The obvious difficulty in identifying the Messiah and the Mahdi is that the Muslims commonly expect "The Guided One" to be a warrior, the role hardly compatible with one who came "in the spirit" of Jesus. Mirza Ghulam Ahmad solves the difficulty by declaring forgeries the traditions which portray the Mahdi as a man of blood; the Mahdi, he contends, was to be a man of peace. This leads us to another Ahmadi disagreement with their fellow Muslims. It is their concept of Jihad (the holy war).

Mirza Ghulam was emphatic in his rejection of the doctrine of Jihad as traditionally understood. Again it is perhaps best to quote some of his statements on this issue:

"In my opinion, no doctrine defames Islam more than the doctrine of jihad." "Merely to acknowledge me as Messiah and Mahdi is to deny the belief in the doctrine of jihad." "I have brought a commandment for your people; and it is that henceforth jihad by sword is forbidden."⁸

These were strong words. The doctrine of jihad had long ceased to be of any practical relevance in Islam. Therefore, what infuriated the orthodox ulema was not Mirza Ghulam Ahmad's condemnation of jihad and wars for religion, but rather what this condemnation implied. Declarations like the ones we have quoted amounted, in the eyes of the orthodox, to a repeal or at least modification of an existing Quranic law, and this only a new law-bearing prophet could do. The Ahmadi contention that their Founder's declarations do not contain any repeal but are merely expostive of a Quranic doctrine which had for centuries been misunderstood fails to satisfy the orthodox, who point out that declaratory legislation is itself legislation.

5. Quoted in Dr. H. D. Griswold, *Mirza Ghulam Ahmad* (Ludhiana—The American Tract Society), p. 5.

6. Bashiruddin Ahmad, *Our Teaching* (Rabwah: The Oriental and Religious Publishing Co., 1958), p. 12.

7. Craig, Kenneth, *The Call of the Minaret* (New York: Oxford University Press, 1956), ch. IX.

8. Quotations in *Munir Report*, pp. 193-194.

The Ahmadiyya Movement

The above are the major Ahmadi beliefs and the chief points of theological disagreements with their fellow Muslims, not to speak of their disagreements with the Christians. In view of these it is no wonder that the history of the movement has been marked with conflict, bitterness and strife. The Hindus and Christians have of course opposed them, but the fiercest opposition has come from the leaders of Islam, the religion whose ultimate triumph Ahmadis so confidently predict and try to bring about. Numerous fatwas of "kufr" have been pronounced against them. The ulema and mullahs have pronounced no words in their condemnations. Instances of such heavy theological name-calling have been rare even in the long and turbulent history of Muslim theological controversy. The Ahmadiyya Founder has been given such ominous epithets as *kafir* ("unbeliever"), *Dajjal* ("Anti-Christ"), *mulhid* ("heretic"), *muqtadd* ("apostate"), each of which terms carry grave consequences, some even death penalty. In Afghanistan there have been cases of public executions of Ahmadi missionaries. The greatest Muslim philosopher-poet on the Indian subcontinent, Muhammad Iqbal, denounced them in strongest terms.⁹ Thus the 1953 Punjab religious riots were the culmination of more than half a century of bitterness and resentment.

Born and grown in an atmosphere of acrimony and dissension, the Movement itself was not spared. When the Founder died in 1908, the community elected an eminent physician Maulawi Nur-ud-Din as the first Khalifa. Upon his death in 1914 the Movement split into two sharply hostile factions. The majority of the most influential and educated members of the Movement opposed the election of the Founder's twenty-five year old son Mirza Bashir-ud-Din Mahmud Ahmad to the office of Second Khalifa. They were also of the view that supreme authority rested in the Committee of Elders and not in the person of the Khalifa. Eventually, the dissidents rejected the institution of Khalifat altogether as they came to regard Mirza Ghulam Ahmad merely as a reformer or renewer (*majadad*), and not as a prophet (*nabi*). Under the leadership of Khwaja Kamal-ud-Din, leader of the Chief Court in Lahore and the noted theologian Maulana Muhammad Ali they separated themselves from the Qadian Party and formed the Lahore Party. The two factions have remained *irreconcilably opposed* to each other ever since. The Lahore group has made notable contributions in the field of Islamic scholarship.¹⁰ Khwaja Kamal-ud-Din left for England in 1927 where he edited the monthly magazine *Muslim India and Islamic Review*. This magazine, which is now called *The Islamic Review*, is still the chief vehicle of the Western missionary propaganda of the Lahore group.¹¹ When I visited the present leader of the Lahore group, Maulana Sadruddin, in the Ahmadiyya Buildings in Lahore in October 1960, he seemed to be most eager to minimize the differences with the Muslim majority. I would not be too much surprised if the Lahore group was slowly absorbed back into the main stream of Islam.

9. Shamloo (pseudonym), *The Speeches and Statements of Iqbal* (Lahore: 2nd ed., 1948), pp. 91-144.

10. Muhammad Ali has written two books of considerable scholarly reputation: a translation of the *Qur'an* with commentary, and *The Religion of Islam* (Lahore: The Ahmadiyyah Anjuman Isha'at Islam, 1950).

11. The magazine is published by the Woking Muslim Mission and Literary Trust, The Shah Jehan Mosque, Woking, Surrey, England.

12. *The Holy Koran*, translated by Maulawi Sher' Ali, Bashiruddin Ahmad's "Introduction", pp. 167-168.

The Qadian group as it is still called, with its headquarters since Partition in Rabwah, West Pakistan, has been under the leadership of the Founder's son Bashiruddin since 1914. "Hazrat Sahib", as his followers call him, has been a dynamic leader and a prolific writer. Like his father, he claims a very close relationship to God. He seems, for example, to be quite sincere when he writes: "God thus made me the instrument of the spread of the Ahmadiyya Movement in all parts of the world . . . on numerous occasions he has honoured me with his revelation. . . . Whenever any teaching or doctrine contained in the Qur'an is made the target of criticism on the basis of some new scientific development, God reveals to me the true answer."¹²

Rabwah is a unique religious community. The analogy of the early Mormon communities in the United States suggests itself. Sadr Anjuman-i-Ahmadiyya (The Chief Society of the Ahmadiyya) has such departments as 'internal' affairs, finance, law, property, and education, truly a little self-sufficient religious republic. The finance department, for example, has the treasury and a banking service which lends money interest-free to Ahmadi business men.

The busiest place in Rabwah is the Foreign Missions Office. The Ahmadis are earnestly dedicated to the goal of spreading the Gospel of Islam all over the world which they consider the most fundamental obligation of every Muslim. A Missionary College in Rabwah trains the outgoing missionaries and also instructs converts from foreign countries in Islam. The Office is also extremely active in the publishing field. In addition to its regular organ, the monthly magazine *The Review of Religions*, it publishes an amazing number of books, booklets and pamphlets. This literature is intended for both the Muslim and non-Muslim world and its purpose is to gain converts.

The Ahmadi objective to convert the Christian West to their own brand of Islam may seem to be utter megalomania. The phenomenon of a tiny organization of Muslims with its headquarters in Pakistan supporting an expensive missionary apparatus in the affluent West is rather pathetic. But it is also a testimony to the degree of conviction and zeal which these people possess. A moderate measure of success has been achieved. Mission centres have been established in various parts of the world—the United States, England, France, Italy, Spain, Netherlands, Germany, Norway and Switzerland in Europe; Trinidad, Brasil and Costa Rica in South America; Ceylon, Burma, the Malay States, Philippines, Iran, Iraq, Saudi Arabia and Syria in Asia; Egypt, Zanzibar, Natal, Sierra Leone, Gold Coast, Nigeria, Morocco and Mauritius in Africa.

The new republic of Sierra Leone is the chosen ground in West Africa for the Ahmadiyya Movement, which, strongly directed from Pakistan, has entrenched itself in this small state.

The bulk of the Movement's followers is of course recruited from among its own coreligionists. Indeed one of the complaints of the Orthodox is that the Ahmadi missionary zeal manifests itself chiefly in efforts to convert Muslims. It is not surprising that it should attract some idealistic Muslims who are eager to join any movement that promises a renaissance of Islam. Ahmadiyyat presents itself as a modern reform movement, and as a modern champion of Islam fighting its battles in every corner of the earth. How many have joined is difficult to determine. The Ahmadi estimate of the membership sets the figure at "over half a million in Pakistan and India".

In Pakistan I found that the Movement counts among its members a score of highly educated and intelligent men and a good number of successful business people. In time they may develop into a privileged economic minority as, for example, the Ismailis of Agha Khan are now. What gives them strength is the fact that the Ahmadis are a close-knit, well-organized, highly-disciplined community and that the members possess an unusual degree of dedication, zeal and optimism. My own experience, at least, seems to indicate this. One day I had trouble finding a book on Ahmadiyyat in the Punjab University Library. Suddenly three students out of perhaps ten to fifteen who might have overheard my conversation with the Librarian came to my rescue. It turned out they were Ahmadis and in no time they put me in contact with their men who were more than willing to provide me with what I wanted. I have been approached by Ahmadis in hotels, railroad stations and even cricket fields. It is this sort of religious *esprit de corps* that make Ahmadis conspicuous in Muslim societies; they certainly exercise an influence far out of proportion with their number. But their virtue is also their liability. The fact that they have made themselves into an exclusive religious club contributes to their unpopularity among the Muslims. It is, for example, bitterly resented that the Ahmadis have their own mosques, that they refuse to pray with or behind the other Muslims, and that they forbid inter-marriage with non-Ahmadis. If all Muslims are brothers, as the Qur'an says, and if Ahmadiyyat is not a new religion, but another name for Islam, as Ahmadis insist, why—the objection goes—was it necessary to form a separate jama'at.

The fact is that the movement whose ambitious dream is to convert the world to Islam has thus far done little to mitigate the antagonism of the overwhelming majority of their Muslim

brethren. This antagonism may well prove fatal in the long run.

After years of futile bitterness and acrimony there is a recent tendency among the orthodox Muslim leaders to ignore the Ahmadiyya movement; it is really unimportant, a harmless nuisance, they say. One is greatly tempted to agree. Numerically, Ahmadiyyat is negligible—a drop of water in a sea of Islam; its beliefs concerning the Founder sound too fantastic to be widely accepted; its syncretistic pretensions are transparent. Moreover, to say that the arguments by which it purports to support its beliefs lack cogency is to be charitable indeed.

And yet, I think that such facile dismissal is not warranted. A small membership or the esoteric character of its doctrines is hardly a liability for a religious sect. Such sects have a way of enduring for centuries. The history of religions, Islam included, is full of examples of small religious groups surviving the vicissitudes of times and pressures of the majority. Ahmadiyyat may conceivably even grow. At the time when the Muslim world is still reeling under the heavy impact of the secular culture of the West, the Ahmadi claim that the movement expresses Islam in ways pertinent to the modern world coupled with their exuberant confidence in Islam's final victory may well prove attractive to the young generation of Muslims who yearn for reform and fresh approach. In their favour is also the fact that at the time when Muslim countries have embarked upon the road of nationalism, Ahmadis can point out that theirs is a Muslim jama'at which transcends national and political divisions. Be it as it may, however, there seems to be little doubt that in the immediate future at least the Muslim world will hear a great deal more about this new sect.

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ASIAN SURVEY

INDIA PREPARES FOR ELECTIONS

From our correspondent in India

BIHAR, the home State of President Rajendra Prasad, has in the last several years had the worst share of natural calamities that had befallen India. Alternating floods and drought often left the land desolate and people disconsolate. Yet the devastation and death caused by the deluge in October came as a shock to the State which had in the past been overwhelmed by natural disasters with almost the regularity of seasons. Official estimates placed the number of dead at 514 and missing at 114.

While the floods had not lost their fury yet and thousands of people were still passing through agonising days, the Sadaqat Ashram, the headquarters of the Bihar Pradesh Congress hallowed by years of association with the freedom movement, was the focal point of a sordid scramble for the election ticket. Rival groups in the ruling party were engaged in a battle for nomination of the maximum number of their respective supporters as party candidates in the forthcoming general elections. With polling just three months away several State Congress units are in the midst of a similar battle. The problem is complicated by the fact that several local leaders fear a reverse at the polls in their home towns and want a change of constituencies. Groupism has been for years the bane of the Congress party which rules at the Centre and at all States. That has resulted in the apprehension that party-men may work against party nominees.

Meanwhile, every party has released its manifesto. There is general agreement on the objectives of foreign policy, namely, positive non-alignment, opposition to colonialism and support to universal disarmament. Barring the Communists all parties have pledged themselves to liberate Indian territory, held by China, Pakistan and Portugal. While the Communists condemn Portugal and Pakistan they hesitate to denounce Peking. They urge a peaceful settlement of the disputes with China. Otherwise the Communist manifesto follows the traditional pattern of attacking Government policies as reactionary and pro-capitalist. At the other extreme the free enterprisers of the Swatantra Party have warned the electorate against return-

ing the Congress which, they say, will take the nation along the high road to communism through regimentation. As for the Praja-Socialist party its leader, Mr. Asoka Mehta, declared that the party would have no reason to exist if it did not emerge as the principal opposition group in Parliament. At one time great hope was laid on its becoming an effective opposition party, unfortunately many of its founder-leaders have since left it. It is organizationally weak and does not function in many States. Its complaint often has been that the ruling party was stealing its programme. The party pledged to democratic socialism in its manifesto, has charged that the Congress has failed to arouse in people's minds the necessary awakening for national reconstruction. The Jana Sangh is a rightist Hindu organization though it denies to be a communal party. Like the PSP it is an anti-Communist party, but without much of an economic programme. It derives its support mostly from displaced people from Pakistan, petty traders and others belonging to the lower middle class of the Punjab, UP and a few other North Indian States. The Congress, of course, is appealing to electorate to return it to power so that it can implement the Third Five-Year Plan with its long-term aim of establishing a socialist pattern of society. That the Congress will continue in power is certain, but to what extent its majority will be reduced will essentially depend on the choice of candidates and local issues.

A significant feature of the forthcoming elections is the rallying of the feudal forces against Congress. This is especially so in Rajasthan where former ruling princes will contest on the Swatantra Party ticket. Shorn of their powers, prestige and purse they have found in the Swatantra Party a platform to retrieve some of their lost prestige. Many will now trek dusty lanes for a door-to-door campaign in areas which in the days of princely autocracy they would not have liked to know of.

National integration and opposition to communal forces are articles of faith with every party if the election manifestoes are to be believed. Yet soon after a National integration

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Conference, in which all parties participated, had been concluded, a rash of riots defaced the political landscape in parts of Western UP. Though the mass of the people kept away from acts of communal frenzy the timing of the outbreak heightened the sense of shame and despair. It started in Aligarh, seat of the famous Muslim University about whose functioning there have been charges and counter-charges.

The State Government however took a firm stand against communal elements and restored normalcy within ten days.

Taiwan

Economic Worries

From a Special Correspondent

Nationalist China's tendency to shift emphasis from politics to economics continues but seems to be heading for trouble. Earlier this year supporters as well as critics of the regime appeared resigned to Red China's admission to the UN and a thoroughly agonising reappraisal by the United States of the entire Far East situation. Farsighted leaders of Taiwan's political and economic life were inclined to stop dreaming of the re-conquest of the mainland and start building a viable Formosa. After the somewhat strange local elections in January even the leaders of the never fully organised or even officially established opposition seemed to fall in with the unspoken slogan of a wide sector of the ruling group: "Let's drop politics and get rich instead." Attempts to inaugurate and register the almost mythical "China Democratic Party" ceased; the Formosa-born would-be leaders turned to their own textile and engineering businesses.

Government and private enterprise joined forces in a concerted drive to promote exports and tourism. A spectacular political concession to this end was the relaxation of passport and visa regulations a year ago. Although government sources had estimated that at least three per cent of "refugees" from China and other visitors of Chinese nationality were Communist agents, the easing of controls applied to Chinese as well as non-Chinese. Citizens of countries recognising Nationalist China can now enter Formosa for up to three days without visa; this concession also applies to countries "friendly to the Republic of China". As Britain trades with Formosa and maintains a Consulate at Taipei, holders of UK or Hong Kong passports can enter visaless.

Though Formosa is one of the wettest countries on earth—about six times as wet as England—her beaches, landscapes and cultural treasures would make her a tourist paradise if it were not for the fact that most great shipping and airlines bypass the island and for the shortage of hotel accommodation suitable for Western clients. Until this year the capital Taipei had only about 200 hotelrooms of Western standard; a few more were to be found in the ancient capital of Tainan and the great port of Kaohsiung. The vast manpower reservoir of ex-service men has been used to build a grandiose cross-island highway through immensely difficult high-alpine country. Without a tourist boom it will remain a terribly expensive white elephant. During 1961 30,000 foreigners were expected to land in Formosa.

At first sight foreign trade figures are highly favourable: 1960 exports amounting to US \$170 million exceeded imports by roughly US \$20 million. Government spokesmen affect great satisfaction over gold and currency reserves. American aid has certainly been put to better use than in, say, South

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Korea, and Formosa's ambitious Five-Year Plans are less fanciful than the new South Korean plan. But much is wasted on prestige building, and a population about a fifth of Britain's can hardly support armed forces twice as numerous as the British. So far the American taxpayer has not only financed Chiang Kai-Shek's armed might but also contributed US \$91 million import goods under various aid schemes.

Today Taipei foresees significant reductions of American defence and economic aid. Responsible experts (like Mr. K. Y. Lin, Chairman of the Bank of Taiwan and Chairman of the State Foreign Exchange & Trade Control Commission) have warned that only vastly increased exports could keep the country afloat, that the export of traditional Taiwan products had reached its limits and that ventures into the field of new industries—such as machine tools, durable consumer goods and "heavy" chemicals—would meet with well-nigh unsurmountable obstacles.

Since then government and private agencies have gone all out to attract foreign capital, even making the politically risky statement that wages in Nationalist (or "Free") China were the lowest in the Far East—considerably lower, at any rate, than in Hong Kong and Japan. All kinds of tax concessions and privileges are offered to the foreign investor.

Chiang Kai-Shek's Minister of Economic Affairs, Mr. C. T. Yang, has gone on record predicting "recession and even depression" owing to "certain short-comings", among which he lists the fact that no less than 53 per cent of Formosa's Gross National Product is needed to provide food for the 11 million population. Although the first rice harvest this year (Formosa has two annually) was an all-time record of 978 metric tons

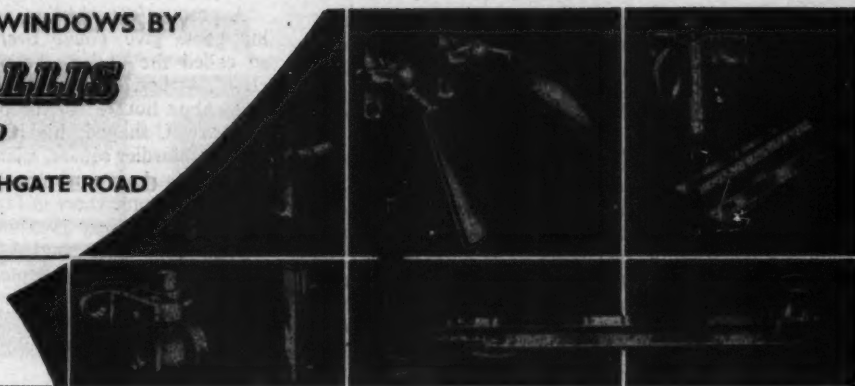
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the advance on last year's is only just ahead of the alarming growth of population which runs at just under 4 per cent. Some other "shortcomings" were publicly stated by Mr. Wesley C. Haralson, the American Director of the International Cooperation Administration Mission to China, the agency providing economic dollar aid. In a statement intended to tone down an interview he had granted to a Hong Kong paper he said: "I know of no strictly new approach to the economic development of Taiwan. I believe the situation here calls for continued strong efforts to encourage private industrial and business enterprise, to lift unnecessary bureaucratic controls, to strengthen the rule of law and eliminate favouritism, graft and corruption." He criticized "high private and government consumption" and concluded that while "Free China is becoming more and more dependent on foreign aid" American-originated "grant aid will definitely decrease". No one can suggest how to fill the growing gap.

Indonesia**Plan for West Irian Settlement***From an Indonesian Correspondent*

The Indonesian Foreign Minister, Dr. Subandrio, replying in the UN General Assembly on October 9 to the Dutch proposal that the UN should intervene in solving the West Irian dispute, said that Dr. Luns's plan (Dutch Foreign Minister), "cannot solve the problem peacefully and cannot solve the dispute between Indonesia and Holland". He added that if the Netherlands was really sincere in its wish to relinquish the claim of sovereignty over the territory, such an intention should be welcomed as a start to a real solution of the conflict, so that the original source of the dispute could be removed. To complete this settlement, it only required the orderly transfer of administration of West Irian from Holland to Indonesia, based on a cooperative spirit between both countries and a mutual desire for normalisation of relations.

On his way home from New York, Dr. Subandrio made a brief stop-over in London, where he had a meeting with the British Foreign Secretary, Lord Home, on October 16. Dr. Subandrio told the press that he had got the impression in the UN that it was difficult even for those countries who were *a priori* standing behind the Dutch to give unconditional support to the Luns Resolution, because such an attitude would only aggravate the already strained relations between Indo-

nesia and Holland. What was really important in this long-drawn issue, he stressed, was not so much the problem of "decolonisation" as that of the "existing conflict" between the two countries. Whatever happened, the West Irian problem could not be settled without Indonesia taking part—something which was not called for in the Luns Resolution.

From London, Dr. Subandrio flew to Paris to have talks with the French Foreign Minister, M. Couve de Murville, at the latter's request. Among other things, the Berlin deadlock and colonialism were discussed. He then went on to Vienna to report to President Sukarno, who had been advised by his doctors to undergo medical treatment in Austria. The President later left by air for Djakarta after a successful operation for a kidney ailment.

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Japan

Earthquake Predictions

From Stuart Griffin, Tokyo

Nightmarish beliefs haunt Japan, Tokyo particularly, that a macroseism as strong as the Great 1923 Earthquake rumbles close enough to the volcanic sub-surface to erupt, very violently, within one or two years. The superstitious claim that just too much time has passed without a major temblor rippling up the Japanese main island spine.

Scientist Hiromitsu Mukohira feels earthquake closeness is shown by his "Mukohira Rainbow", a rectangular phenomenon he claims to see before the earth pitches and rolls. This savant predicted the 1923 disaster and even claimed the Central Meteorological Observatory failed to heed his repeated warnings. Seismologists from Tokyo University warn of rapid fluctuations of heat in the deep sub-soil, conditions they call prerequisites of predictions of major earth shakings.

Older days Japanese pegged sub-soil turmoil to huge catfish writhing in the sea, to giant spiders and centipedes trapped and heaving in the volcanic underground. The catfish theory was diddled into life scientifically as late as 1930 when a Tokyo University professor argued that all fish were especially sensitive to ground electric-currents which abruptly increase prior to earth upheavals.

Modern Japanese scout such catfish and centipede nonsense, consigning such to the "old wives' tales" department much as do present-day Greeks the concept that Neptune's quaking trident brought shakes, Iranians that the earth is balanced on the horn of a cow swimming in an imaginary subterranean ocean and flicking the world from one to the other horn, Eskimos the notion of the huge dog being responsible, and Tibetans the idea a golden frog should be brought to blame, causing disaster by head scratching leg-hopping, respectively.

If Tokyo is the quake's epicenter, on a maximum seven on a seven point scale, what happens to the metropolis, home of almost 10 millions? Experts shake their heads doubtfully. Even rebuilt Tokyo is ill-equipped to take a five or six count let alone that lethal count of seven. It has 440 fire engines, 73 ladder cars, over 30,000 firemen, over 1,555 ambulances, 409 manually operated fire trucks, batteries of doctors, nurses, sanitation workers, attendants. It has a plan to increase 5,157 reservoirs to 17,448—but this is blueprint only as of now.

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A postwar construction comeback and a continuing building boom give Tokyo over 2,300 ferro-concrete structures, so called fire and quake proof. But many are "castles of glass", at best sanctuaries in the sea of paper and bamboo "matchbox houses" of the ordinary Japanese. Many edifices, too, are U-shaped, highly vulnerable to tremors, not the simpler, sturdier square, triangular or circular types.

Statistics show earth tremors occur on an average of three times daily somewhere in Japan. And that a major size quake chances along every 18-20 months. And that when big blows come, like the 1946 Nankai Quake, the 1950 Fukui disaster or the "Shinsai" of noon, September 1, 1923, horrible loss of life and destruction inevitably result. In the latter 250,000 wooden houses collapsed, 60,000 lost their lives, and fires destroying most of Yokohama and 40 per cent of Tokyo raged three days and nights.

And what would happen today? A major temblor would turn Tokyo's low-lying districts into a sea of flame, 21,000 houses at least would be destroyed, 680 fires would break out and rage virtually out of control, and upwards of 35,000 would perish—victims of earth rips and more, of the 120 fires estimated to spread to burn 2-2 per cent of Tokyo reducing large tracts of the capital's 23 wards to ashes in less than five hours.

What can Tokyo do to preserve itself?

In 1923 the answer was, very little. There were only 32 fire engines. There were less than 1,800 firemen. There were few modern buildings and wildernesses of wooden houses. But in 1961, there are dangers aplenty still. Gasoline, oil stoves and propane gas are everywhere. There are many factories, test laboratories and research institutes using dangerous chemicals and radioactive materials. There is a traffic hell clogging the streets, harbinger of such wreckage in the case of a quake as would make use of fire-fighting equipment, whole-scale, hopeless. Water mains are no more protected against bursting today than 38 years ago. And Tokyo's many rivers and moats of that period have fast disappeared. Most have been filled in. Few open stretches of water remain and thus pumps and hoses would be largely superfluous without sources to dip in.

A major subcommittee works today on this matter. Composed of authorities from a dozen Ministries concerned, architects, seismologists, medical and sanitation technicians, factory experts, and traffic officials, it postulates a maximum 7 Great Kanto Earthquake-type blow striking at supertime on a winter evening with 25 feet per second north-northwest winds.

Despite three years of study the committee has barely got its recommendations off the ground. The installation of 10-20,000 citywide water reservoirs has barely been begun. Sought-after increases of firemen and fire-fighting equipment have not been realized. Little has been done to solve the problem of 650,000 vehicles jamming ripped-up streets over which fire engines would be unable to move. The hazard of gas, gasoline, chemicals has been pointed out and the public has been made fully aware that fire is the thing to fear.

But nothing much has been done to control fire and today's Tokyo has four times as many wooden buildings as in the 1923 Great Earthquake time.

The committee can do so much and little more, in a hurry. It can serve warning, and that's about all. It can educate the public as to what it will face should the great blow come again. At this very writing, ominously, the radio speaks up: "A slight earthquake shook downtown Tokyo at 7.03 a.m. today. There were no immediate reports of injuries or damage." But next time? . . .



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Australia

New Capital Wanted — with Reservations

From Charles Meeking, Canberra

Australia is still anxious to encourage the investment of capital from overseas, and is disinclined to lay down rules and regulations. The Prime Minister, Mr. R. G. Menzies, said in October that overseas capital invested in Australia for development had meant an "enormous amount" in recent years, and he had no wish to see anything happen to lay a restraining hand on it. But it is obvious that there is some public and private determination that major overseas investments should be in partnership with Australian capital in future. There is also hesitation concerning major investments from Asian sources.

Part of the declared policy of the Labour Opposition is to curtail investment from abroad, to prevent interest and dividend payments from becoming too great a drain on overseas balances. The Government—which appears certain to be returned to office at the election on December 9—believes that the current rapid industrialisation requires far more capital resources than Australian savings can supply.

The Government is well aware that overseas capital means the development of resources, the creation of employment and general economic advancement. It is exercising psychological pressure to ensure that Australia and Australians have a reasonable equity in the investors' Australian operations, and looks with a favourable eye on several Japanese investments in this country which have followed that rule. It is felt that Australia is not sufficiently developed to withstand overseas investment quirks, although it needs genuine, long-term investments.

The general climate for investment now appears fair. All restrictions on bank lending have been lifted (with a warning against renewal of loans for speculation), and the Government claims that inflation has been stopped. Unemployment, never very heavy, is decreasing, and the worst-hit industries, motor cars, building, textiles and paper, are showing signs of recovery. It is obvious, however, that many people have been scared by the economic squeeze. Savings bank deposits are soaring, and the hire-purchase companies have large amounts of unspent funds. Some economists regard the slump between November 1960 and May 1961 as having been worse here than any US percentage loss of production in more than a decade. The backslide in production was estimated at 22 per cent for the six months to May—but current figures are more cheering.

Overseas capital invested in Australian industries rose by £A64.7 million in 1959-60 to a record total of £A189.9 million for the year—which included £A59.2 million earned in profit and re-invested here. (Later figures are not yet available). Britain provided £A104.4 million of the total, and the USA and Canada £A59.6 million.

It is believed the election will give the Menzies Government a decreased majority in the House of Representatives, and that the complicated system of voting for the Senate may give the balance of power in that Chamber to the small breakaway Democratic Labour party—a state of affairs which will please neither the Government nor the Opposition. The Government, as this is written, is fighting the campaign on the need to retain experienced leadership in the complicated negotiations associated with the projected entry of Britain into the EEC and on the continued association of some Labour candidates and of some Labour unionists with Communists. Labour claims that unemployment is higher than official statistics disclose, and that the Government is showing undue preference to the major private air network, Ansett-ANA.

Side issues include state aid to denominational schools (with echoes of the parallel controversy in the United States), and the sponsored visits of unionists to the Communist countries, especially China. Inside the ranks of the Liberal party (the major partner in the Menzies Government coalition) there is some criticism that the party is not living up to its policy of fostering free enterprise and removing banking curbs sufficiently. There is also criticism of the heavy hand of Canberra bureaucracy on administration in the Northern Territory and some sporadic complaints on policies and planning in New Guinea. Surprisingly little public interest has been shown in the plans for a Malaysian Federation, or in the possible loss of Singapore for SEATO use.

This stems from doubts about the efficacy of fixed bases, and on the degree of deterrent strength (or weakness) of SEATO. The Government and the Opposition take diametrically opposite views about the readiness and over-all efficiency of Australia's armed services. The Government appears to be getting good value for expenditures on ships, planes and weapons, but there is no disposition to discuss the strategic picture in the broad, or to consider the adjustments which will be needed when Indonesia takes over, by some means or other, control of West Irian and when the federation of Malaya with Singapore and the Borneo states is effected.

The summer holiday approaches, the beaches are crowded, and the nuclear fall-out cloud is over the northern hemisphere only. The ever-present sense of remoteness, therefore, has its comforts for the average Australian. It also has its perils, but as yet these are barely realised.

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Recent Books

Indian Tales by ROMILA THAPAR (Bell, 12s. 6d.)

India is rich in folk tales, fairy tales, legends based on history—in fact, some of the fairy tales current in Europe for generations owe their origin to Indian stories, and even the Fables of Aesop can be traced to many Buddhist *Jataka* tales, or stories with a moral attached.

With so many sources to draw on, Dr. Thapar has deliberately mixed them, so that the reader can be mystified, amused or moved. She has retold the stories in a concise, simple way—the epic of Rama and Sita, for instance, with the bridge of monkeys to the island of Lanka, Rama's conquest of the wicked demon Ravana, and Sita's ordeal by fire and final deliverance—all these incidents she has depicted in a way that would be familiar to an Indian child. The Childhood of Krishna, the story of the Pole Star, the Churning of the Milk Ocean are other stories she has adapted from Hindu mythology, so that the collection forms a cross-section of tales that form part of India's literary heritage. The illustrations, by 'Abu' the Indian cartoonist, are agreeably simple, and in the Indian folk art tradition.

A Yankee and the Swamis by JOHN YALE (Allen & Unwin, 25s.)

John Yale, a descendant of the Elihu Yale who made his fortune with the East India Company and after whom Yale University was named, became seriously interested some years ago in the study of Vedanta. He eventually left the business world and joined the Ramakrishna Order in California. He felt the need to see for himself the India which had produced the Vedanta movement, and made a pilgrimage there, living in monasteries, entering the great temples and shrines and meeting many spiritual leaders. His account of his journey is told with both humour and seriousness. He had an ingenuous delight in being in "the Orient" tempered with some difficult minor adjustments in practical matters such as a vegetarian diet or a supply of hot water for shaving!

Anthology of Zen edited by WILLIAM BRIGGS (New York: Grove Press, \$2.95)

As the foreword to this book points out, the bibliography on the subject of Zen has been growing like a gigantic snowball, at least in America. Whether those who are reading about Zen are able to put it to practice with the single-mindedness the old Zen masters demanded is perhaps a different matter—most people would find it difficult to create

a zone of silence around them—immersed as they mostly are in everyday problems.

Nevertheless, the interest is there—and a symposium like this does much to show how Zen appears to both Eastern and Western philosophers, historians and religious writers. "But anyone taking up Zen for kicks," says one of the contributors, "ought to be warned that it is strong meat and drink—in its classic form probably stronger than a Western stomach can hold down."

Sources of Chinese Tradition compiled by W. T. DE BARY, WING-TSIT CHAN, and BURTON WATSON (Columbia University Press. London: Oxford University Press, 60s.)

This volume, the last in a trilogy dealing with the civilisations of China, Japan and India, aims at giving the general reader an understanding of the background of Chinese civilisation, and the development of Chinese thought and culture right up to the present time. This is an ambitious project, and the volume runs to nearly a thousand pages of closely-packed readings from a vast range of source materials together with relevant notes. The readings are drawn from both contemporary and classical literature.

The compilers have tried to represent the Chinese tradition in all its range and depth—and not merely in its most easily assimilated aspects. Chinese thought from earliest times, ranging from Confucianism, Taoism, Buddhism to nationalism, socialism and communism are discussed, as are more esoteric theories of cosmology and geomancy, popular religious cults and secret societies. In dealing with more recent times, the compilers have included extracts from the writings of Sun Yat Sen, Chiang Kai-shek, Hu Shih, Mao Tse-tung and others.

The Principles of State and Government in Islam by MUHAMMAD ASAD (University of California Press, \$3.00)

Muhammad Asad, an Austrian convert to Islam, feels that a state built on the foundations of religion offers an infinitely better prospect of national happiness than a state founded on the concept of a "secular" political organism. There are two provisions—that the religious doctrine on which such a state rests and from which it derives its authority makes full allowance first for man's biological and social needs, and, second, for the law of historical and intellectual evolution to which society as a whole is subject. Islam, the author feels, fulfils both these functions—it is free from rigidity—in its original state it is fundamentally simple and lucid. He thinks that none of the existing Muslim countries has so far achieved a form of government that could be termed genuinely Islamic and discusses in detail the principles that ought to underlie the constitution of an Islamic state.

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Economics and Trade

THAILAND'S ECONOMIC CONDITION IN 1960

D. C. METHI

THE total area of Thailand is about 500,000 sq. km., i.e. about the same size as that of France. Thailand is mainly an agricultural country where about 80 per cent of its 25 million persons are occupied in agricultural, forestry and fishing activities, while the other 20 per cent are engaged in commerce, industries, mining and other services. Thailand has always depended on the export of agricultural products such as rice, rubber, teak, and mineral products such as tin. Its imports, on the other hand, are mostly manufactured goods such as textiles, pharmaceutical, dairy and petroleum products, building materials and machinery. The economy of Thailand is relatively stable. The population pressure is as yet negligible as the total output has increased more rapidly than the rate of population. Rice still constitutes the most important export item of the country, although other crops such as maize, tapioca flour, and mineral products such as tin, have increased very rapidly in importance during the last decade.

Economic and Financial Policy

The national economic and financial policy of Thailand for 1960 was reaffirmed by the Government's announcement that its economic development plan¹ would have top priority. It is thus necessary for the Government to have a sound financial policy which will result in the coordination of the national budget with the economic development programmes. Although the country is well endowed with natural resources, the problem is still "how to utilize these natural resources to the utmost limit". As the national productivity has been relatively low, the Government is determined to invest in education, public health, research and on the introduction of modern equipment, in order to improve it and to raise the level of income and the standard of living of the population. Another problem is the shortage of capital. Since private savings in Thailand have been negligible, the rate of investment is low. This in turn affects the real income of the population. The Government has also announced its policy to promote thrift and saving and at the same time, in order to attract foreign capital, certain tax holiday privileges have been granted. These privileges have, as expected, caused Government revenues to fall. However, no tax increase is anticipated in 1961. The Government, on the other hand, seeks to improve methods of tax administration, so as to make tax collection more equitable and convenient for tax payers.

On the whole, the economic condition of the country in 1960 could be compared favourably with that of 1959. The economy showed stability in prices, exchange rates, money supply, wages, interest rates and the general level of income. This situation has enabled the Thai economic life to progress smoothly. The economic progress and stability of the country can be summed up in the following terms: export increased substantially during 1960.

D. C. Methi, Doctor of Law, has had long experience in research activities on economic and social questions with a Specialized Agency of the UN in Europe, and is now lecturer at two Thai Universities.

Production

Thailand's agricultural products have not shown their vitality as during the 1958-1959 period when rice paddy yield showed an increase of more than 1.6 million tons. Although it was reported that in 1960 rice production in 33 provinces was expected to be better than the previous year, that in 13 provinces the production would be about the same as the preceding year, and that in nine provinces, it would be poorer than the preceding year it is most likely that the 1960 crop will be somewhat lower than that of 1959. The latest statistics available show that the production has decreased from 7,200 million tons in 1959 to only 7,050 million tons in 1960, in spite of an increase in cultivated lands, an increase in the use of fertilizers and favourable climatic conditions. The same situation was registered with rubber production, which reached only 170,000 tons in 1960 (1959: 174,000 tons) or a decrease of 1.78 per cent. Some new upland crops have made remarkable advance, i.e. maize, tapioca, tobacco: maize production was 600,000 tons in 1960 (1959: 310,000 tons) an increase of nearly 80 per cent; tapioca flour: 1,420,000 tons in 1960 (1959: 1,100,000 tons) an increase of nearly 14 per cent; kenaf: 97,000 tons (1959: 50,000 tons) an increase of 50 per cent. The increase in production of the last three products was due, as with other agricultural products, mostly to the increase in external demand resulting in higher prices in the world market and the expansion of cultivated areas, as well as the increased use of fertilizers, and the more favourable climatic conditions. The production of tobacco was in 1960—8,900 tons, an increase of 4 per cent (1959: 8,441 tons). Concerning commodities for domestic consumption, while the production of nearly all main ones have increased, such as sugar, gunny bags, beer, some others such as paper and cement, registered some decrease. Production of white sugar was, in 1960, about 27.50 per cent above the 1959 level (1960: 102,000 tons; 1959: 80,000 tons); this has further caused a fall in the import of sugar from abroad. Cement production, despite the increase registered in 1959, as the result of the establishment of a new factory, has not increased further as expected. In fact, the latest figure available showed a decrease in total production of about 6 per cent as compared with 1959 or about 540,000 tons (1959: 566,000 tons). Another industrial product which showed decrease in 1950, was paper. During 1960 the total production reached only 2,550 tons as compared with 2,580 tons produced in 1959.

Industrial products were, on the whole, more important in 1960 than in 1959. The main product, tin, increased by about 24 per cent reaching 17,000 tons in 1960 (1959: 13,500 tons). This was due mainly to the increase in Thailand's export quota allotted by the International Tin Council during 1960. The production of iron grew by 70 per cent or about 11,000 tons in 1960, as against 6,100 tons in 1959. The production of zinc also increased by about 40 per cent (1960: 4,600 tons; 1959: 3,300 tons). The most spectacular increase concerned the production of gypsum (350 per cent) for the total produced passed from 3,500 tons in 1959 to 13,000

1. Thailand's Six-Year Plan, by D. C. Methi, *Eastern World*, April 1961, pp. 32-33.

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tons in 1960. Lignite production continued to increase in 1960. Total output passed from 141,000 tons in 1959 to 149,000 tons in 1960.

Foreign Trade

Thailand's foreign trade continues to develop. In 1960, the total exports of the country reached 8,700 million baht, as compared with 7,600 million baht in 1959, or an increase of about 15 per cent. At the same time imports have also passed from 9,000 million baht in 1959 to 9,500 million baht in 1960.

The increase in exports during 1960, was the result of an increased demand for Thai goods in foreign markets, in general, as well as the result of world political tension which forced a certain number of countries to stockpile certain strategic materials such as rubber, tapioca flour and some mineral products such as tin and zinc. During 1960, rice and rubber continued to be the most important export items of the country, although the percentage has fallen somewhat as compared to that of 1959, i.e. from 34 per cent to 30 per cent for rice and from 31 per cent to 30 per cent for rubber.

The volume of rice exported in 1960 totalled 1,200 million metric tons worth 2,600 million baht as against 1,100 million metric tons worth 2,576 million baht. The export of rubber has fallen from 175,000 metric tons worth 2,400 million baht to 170,000 metric tons, worth 2,600 million baht. The export of tin also showed an increase. In 1960, the total exported was 17,200 metric tons, worth 540 million baht, while the total for 1959 was only 14,000 metric tons, worth 435 million baht. The export quota of tin allotted to Thailand by the International Tin Council reached 9 per cent during July-September 1960. Incidentally, the price level of tin has during 1960 decreased by 0.34 per cent as compared with 1959, while during 1959, it was increased by nearly 13 per cent as compared with 1958.

The principal buyers of Thai rice in 1960 were: Singapore—209,000 metric tons, worth 460 million baht; Malaya—195,000 metric tons, worth 400 million baht; Hong Kong—180,000 metric tons, worth 396 million baht; Indonesia—138,000 metric tons, worth 340 million baht; Japan—90,000 metric tons, worth 150 million baht and Saudi Arabia—86,000 metric tons, worth 184 million baht. Tin was sold principally in 1960 to Malaya: 10,000 metric tons (78 per cent); USA: 1,200 metric tons (9 per cent); Brazil: 1,100 metric tons (8 per cent) and Singapore: 390 metric tons (3 per cent). Other important export items were teak, tapioca flour, cattle, kenaf and castor seed. In 1960, 102,000 cubic meters of teak, worth about 358 million baht were exported, but it was outranked by corn which passed from 237,000 metric tons, worth 250 million baht in 1959 to 514,000 metric tons, worth 550 million baht in 1960 or an increase of about 50 per cent both in volume and in price. Another spectacular export item in 1960 was tapioca flour, totalling 238,000 metric tons, worth 267 million baht; as against about 150,000 metric tons, worth 194 million baht in 1959.

The following table shows the export position of some of the most important products in 1960 as compared to that of 1959:

	1960	1959
Rice (metric tons)	1,207,957	1,091,671
Rubber (metric tons)	169,812	174,404
Tin (tons)	17,183	13,737
Teak (cubic meters)	101,155	73,253
Corn (metric tons)	514,266	236,781
Tapioca flour (metric tons) ...	237,874	149,248
Jute and Kenaf	61,951	37,317
Castor Seed	23,978	31,431

Imports in 1960 were still higher than exports because the national policy of economic development and domestic investment promotion has been strongly implemented. An increasing amount of investment goods, such as equipment, machinery and chemical products, has been imported. The Government has been up to now able to purchase whatever was needed for the country's development, which in turn, will eventually strengthen the country's ability to export.

The total amount of imports passed from 9,000 million baht (1959 figure) to 9,500 million baht in 1960, an increase of about 6 per cent. The more important items, such as manufactured goods and transport equipment totalled nearly 58 per cent, i.e. manufactured goods worth 3,300 million baht and transport equipment worth 2,400 million baht, an increase in value of 4.95 per cent and 7.60 per cent respectively. Capital goods should amount to one-third of the total imports and reached in 1960, about the same figure as in 1959, i.e. 3,300 million baht or about 37 per cent of the total annual imports. During 1960 the import of crude materials increased by nearly 95.8 per cent passing from 71 million baht in 1959 to about 139 million baht in 1960. The second most important increase (apart from miscellaneous transactions which increased by 56 per cent) concerned mineral fuel which reached nearly 10 per cent passing from 946 million baht in 1959 to 1,024 million baht in 1960. The imports of a certain number of products showed a decrease during 1960, as compared to the preceding year. The most spectacular decrease concerned animal and vegetable oils and fats which was nearly 39 per cent less. Imports of beverages and tobacco also fell by more than 37 per cent, and food by about 13 per cent.

Balance of Trade and Balance of Payments

1960 showed further improvement of the country's balance of payments. The trade deficit passed from Baht 1,430 million in 1959 to Baht 840 million, a decline of about Baht 590 million. This was because of the fact that while the volume of imports increased by about 5 per cent, that of exports increased by about 12 per cent, and at the same time the prices for exports have risen by about 3 per cent as against only about 2 per cent for imports. The deficit mentioned above was financed by private persons and foreign governments (about Baht 1,130 million). The net inflow of private capital which totalled about Baht 230 million consisted of direct investment, portfolio investment, loans and advance and goods imported on a deferred payment basis. Foreign aid and loans amounted to about Baht 1,310 million. Even after deducting different repayments and payments, a net inflow of about Baht 900 million still remained. Since at the end of the year, the balance of payments on current account showed a deficit of about Baht 565 million, and a net inflow was about Baht 1,130 million, the gain in the international reserves should have been only about Baht 565 million. In fact, the increase in reserves rose to about Baht 1,020 million or about Baht 455 million more than the expected amount. The discrepancy between these two figures should be attributed to the incomplete recording of the data and to the importation of foreign funds for investment purposes.

An adverse balance of payments is not yet a serious question for the country. As Thailand is in the middle of its development period it has great need of importing capital goods. Most of these goods entered the country without necessitating any cash payments, for most of them are foreign aids or are the result of contracts. If the development plan is implemented and Thailand

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Bank deposits reached at the end of December 1960 5,500 million baht as compared to 4,200 million baht at the end of 1959, an increase of 24 per cent. Of the deposits, Government deposits were 435 million baht, as against 740 million baht in 1959, a decrease of about 40 per cent.

At the end of 1960, the total amount of commercial bank loans still outstanding increased by 1,000 million baht to 5,000 million baht as against 4,000 million in 1959.

The total borrowings of commercial banks outstanding at the end of 1960 was 1,100 million baht as against 1,033 million baht in 1959, an increase of 65 million baht.

The average cash reserve of commercial banks was during 1960 13.35 per cent or 671 million baht, as compared to 14.78 per cent in 1959 or 677 million baht, a diminution of more than 1 per cent.

Liquid assets of commercial banks remained at about 24 per cent of deposits, about the same level of 1959 which was about 25 per cent.

At the end of 1960, the money supply was about 10,000 million baht, an increase of about 950 million baht, as compared to 9,100 million in 1959. The increase in money supply was mainly the result of an increased loan by the Bank of Thailand to the Government and the expansion of credits by commercial banks in the private sector.

At the end of 1960, the bank notes issued by the Bank of Thailand totalled about 6,751 million baht. This amount is backed by 100 per cent of reserves, which is composed as follows:

1. Foreign exchange (\$ and £)	41.20%
2. Gold	30.87%
3. Foreign currency bonds	1.94%
4. Thai treasury bills	13.55%
5. Thai government bonds	10.04%
6. Gold subscription to IMF	2.40%

100.00%

begins to export more, foreign exchange gained therein will compensate the present loss.

Financial Situation

The Government revenue during 1960 was estimated at 6,800 million baht, as against 6,050 million in 1959 or an increase of about 17 per cent and total expenditure was estimated at 6,560 million baht. At the end of 1960 Government borrowing from local sources amounted to 7,100 million baht, consisting of 5,000 million baht from the Bank of Thailand and 2,100 million baht from other sources. During 1960, the Government issued 2,525 million and 23 million of bonds. The Bank of Thailand bought 1,120 million baht and 320 million baht were bought by the public. At the same time, the Government redeemed about 2 million baht. At the end of 1960 foreign debt amounted to 37.5 million dollars. During the year, the Government also issued coins amounting to about 8 million baht.

Thailand continued, during 1960, to receive long-term (capital) loans as well as external assistance from various nations and organizations. IBRD loans and other official loans were 275 million baht and 380 million baht respectively (in 1959 the figures were 290 million baht and 245 million baht respectively). Other long-term capital loans fell, however, from the 185 million baht figure in 1959 to only 74 million baht in 1960. Foreign economic assistance and donations came mostly from the US ICA aids which amounted to 620 million baht in 1960 (756 million baht in 1959). Aids from other sources such as the UN and its Specialized Agencies, the Colombo Plan Organization and other foreign governments amounted to 52 million baht (80 million baht in 1959).

Monetary and Banking Situation

During 1960, the number of commercial banks, both foreign and domestic remained at 27, the same number as at the end of 1959. However, during the year, 45 new branches were opened



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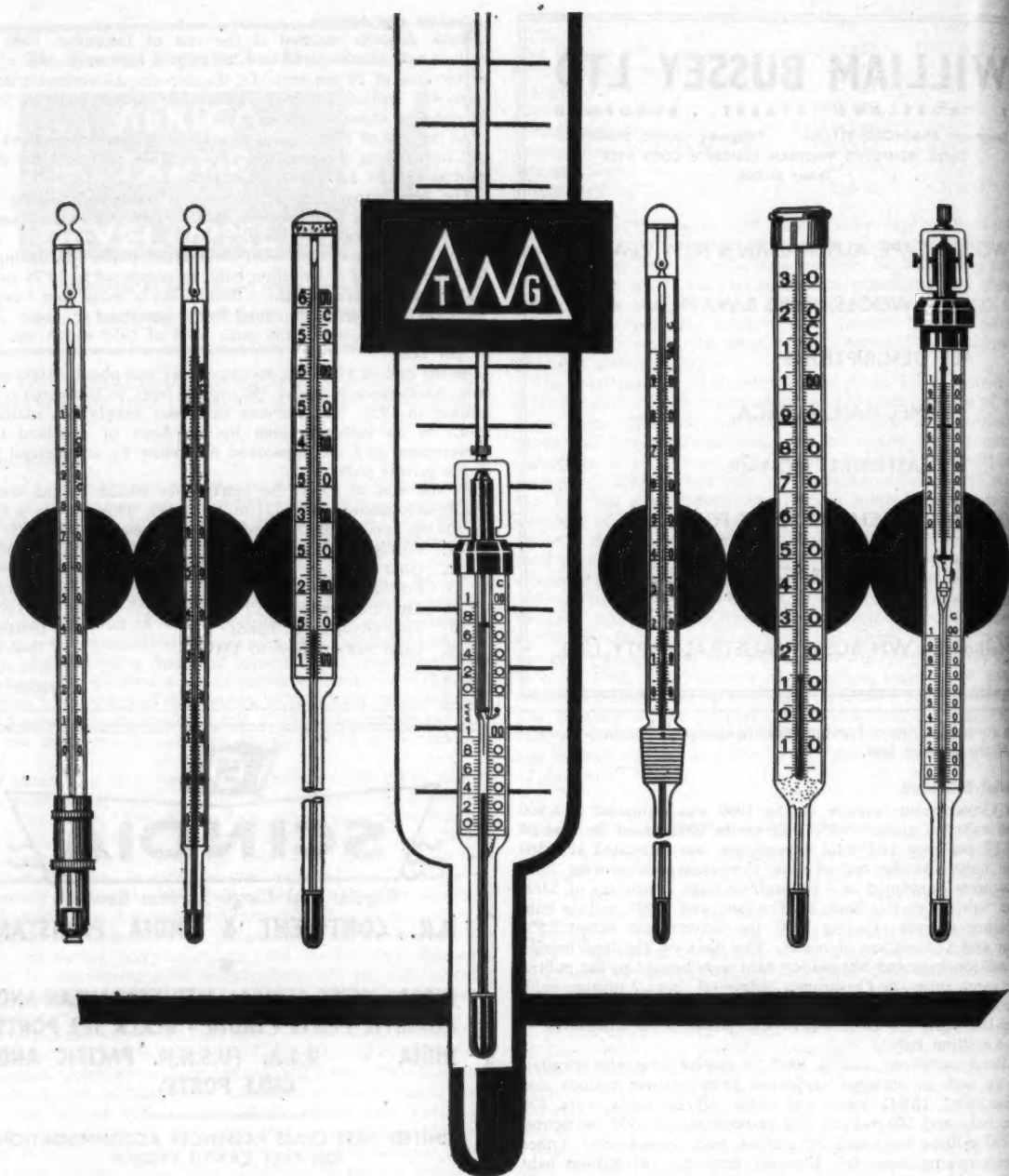
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MESSAGE from
Mr. ZENTARO KOSAKA
Japan's Minister of Foreign Affairs



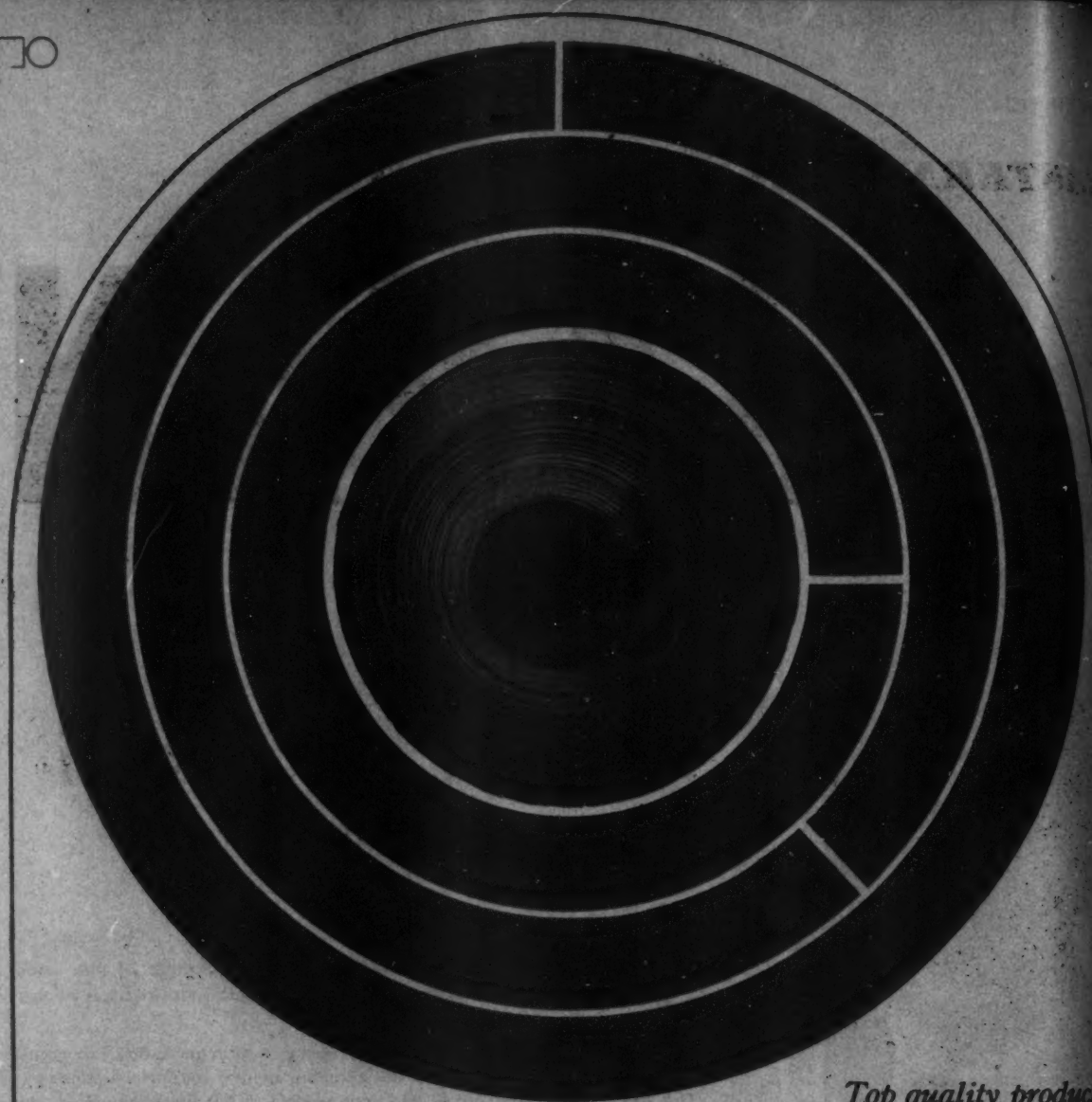
I AM GLAD to have this opportunity to send my greetings to the readers of EASTERN WORLD on the occasion of the publication of this issue incorporating a supplement on Japan's economic, industrial and foreign trade development.

We in Japan have recently achieved a rapid growth in our national economy and have made great strides in the adoption of new industrial technology. This has resulted in a remarkable improvement in our living standards and has brought about a revolutionary change in the buying pattern of the people. In keeping with the current trend toward a more prosperous world economy, we hope to do our utmost to promote the further growth of world prosperity through developing closer relations with other countries in economic and all other fields.

It is evident that in order to promote international friendship we must make efforts to understand accurately the situation in all the countries of the world. I wish to commend highly this significant project of EASTERN WORLD which will certainly contribute to a better understanding of Japanese economic and industrial activities in the world of today.

Zentaro Kosaka

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Message from Mr. TADASHI ADACHI

LET me first congratulate you on your publication, which conveys to people interested in Asia latest and valuable information.

To contribute to this laudable object, I, as the president of the Japan Chamber of Commerce and Industry and, concurrently, of the Tokyo Chamber of Commerce and Industry, gladly comply with your wish to comment on Japanese trade relations with western Europe and Asia.

The fears, which in Japan greeted the establishment of the European Economic Community, have so far not been realized, but Japanese trade continues to be restricted by many countries in Europe within and outside that community. Moreover, discrimination against Japanese goods by numerous independent countries, whose former metropolitan governments invoked the escape clause in GATT, continues to be maintained. This is regrettable in view of the efforts Japan is making to liberalize her foreign trade. The refusal to grant GATT privileges to Japanese exports by making use of the escape clause of article 35 is, however, now being reviewed, and it is to be hoped that the last vestiges of discrimination will soon be removed.

Japanese trade with Asian countries is hampered by the lack of foreign exchange owned by these countries, which lack stems from the low prices the primary-products exporting economies obtain for their products. This condition, which has greatly benefited the trade terms for industrialized countries, cannot be expected to last indefinitely. Technological progress after the war has reduced the raw material needed per unit of product, but industrial expansion everywhere will eventually augment requirements.

One of the greatest difficulties with which Asian countries, particularly South-East Asia, have to deal is the lack of capital which can be used to start their economies moving. It will be in the interest of the industrialized countries, Japan included, to come to the assistance of these less developed nations with long-term investments and technical guidance. It is our desire to cooperate with other countries in this enterprise.

The problem of trade with mainland China seems to be gradually receiving increased attention by some Japanese businessmen, acquainted with circumstances when China provided one of the main outlets for Japanese exports and was equally important as a source of raw materials before the war. However, it would be remembered that it involves very complicated political problems, which must be dealt with internationally and with the utmost precaution.

In conclusion, I hope that the importance of trade to Japan may be realized by every one, and that they will sympathize with her desire to expand and make smoother her trade relations all over the world.



President

The Japan Chamber of Commerce and Industry

The Tokyo Chamber of Commerce and Industry

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ECONOMIC PLANNING IN JAPAN

JAPAN is a perfect example of a country where central state planning exists side by side with free enterprise and where the state planning has been developed to a greater degree than in other countries with a "free economy". Japan's long-range economic plan which was drafted in December 1957 stipulates targets to be achieved in 1962, but the country's economic growth was so rapid that most of these targets were already reached by the end of 1960. Recently a new Long-Range Economic Plan was announced by the Japanese Government. It substitutes the 1957 plan, and aims at doubling the gross national product within 10 years (1961-1970) to Yen 26,000,000 million (\$26,000 million)—in fiscal 1958 prices—by 1970. The Government has declared that with the rapid progress of technical innovation and abundant labour force to support the expected economic growth, efforts must be made to realise through appropriate policy management and cooperation of the people, the average annual economic growth of nine per cent for the first three years of the Plan to raise the gross national product from the Yen 13,600,000 million (Yen 13,000,000 million in fiscal 1958 price) in 1960 to Yen 17,600,000 million in 1963. The Government's statement on the Plan refers to the following "focal points" of the Plan and "direction of policy measures": (1) promotion of modernisation of agriculture (this is in line with one of the basic aims of the Plan to "rectify the existing disparity of living standard and income between farming and non-farming population"); (2) modernisation of smaller business (to rectify the disparity between major enterprises and smaller business. This is a particularly important problem, as the small-scale industries are a characteristic feature of Japan's

economic structure. In 1951 more than 68 per cent of industrial workers were engaged in enterprises employing less than 100 workers); (3) promotion of development of backward areas; (4) promotion of appropriate geographical distribution of industries and readjustment of regional-wise distribution of public investment; (5) positive cooperation with other countries in growing world economy.

The Government investment and financing policy and its implementing measures will be directed towards the attainment of these "focal points", and thus the "central state planning" element will be strengthened.

Mr. Saburo Okita, Director of the Overall Planning Bureau of the Economic Planning Agency (the Government Agency which is responsible for the long-range economic plans) explained in EASTERN WORLD that in the case of the public sector (including roadbuilding, railways, ports, telecommunication, promotion of education) more planning elements were to be introduced. In the case of the private sector, the Government was to provide information of the long-range prospects, and to guide the private industries to plan correspondingly, but leaving the actual decisions to the industries. Planning was necessary to avoid bottlenecks in production, which have hampered smooth expansion of industries on some occasions in the past. Mr. Okita said that in Japan or in western free enterprise countries, individuals or managers of enterprises decided the level of economic activity. Government planning in such countries were serving as a guide-post for private enterprises or individuals. He was emphatic on the necessity of long-range planning, without sticking too rigidly to individual targets, and was in favour of a more flexible approach with possibilities of amending these targets every 2-3 years in the light of various developments and trends.

Japan's new long-range plan distinguishes, in fact, between a "Plan for the Government's public sector" and a "forecast on private sectors and guiding policy" (but even for the private sector gives detailed targets for individual industries).

In the chapter dealing with the public sector, the Plan describes the role of the Government by saying that "the Government is at all times responsible for positively cultivating factors for economic growth and eliminating adverse elements while maintaining a correct appraisal of the latent growth potential of the Japanese economy. The government is also responsible for keeping the value of currency stabilised, maintaining economic growth and minimising business fluctuations through proper application of fiscal and monetary policies." It enumerates the tasks of improvement of social overhead capital (under this headline the establishment of a comprehensive transportation system, improvement of housing, conservation and effective utilisation of land and other related problems and public investments are dealt with, and it is stated, that "flexible operation of public investments in this action will serve to regulate business fluctuations"); improvement of human ability and promotion of science and technology under educational and training programmes; improvement of social security and welfare ("it is the responsibility of the government of a modern country to build it into a welfare state"), and guidance of private industries in sound directions.

What is the position in the private sector? At present import and export controls represent a decisive Government control on the trading and industrial activities of private industries. In addition, industries, which the Government has decided to assist in their development and expansion, are able to secure through Government agencies credits at cheaper rates than those prevailing in the open market. These industries have also other privileges in



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the taxation field and in duty-free importation of certain equipment. These are only a few examples of indirect Government planning in the private sector, in which the final decision for any individual enterprise is taken by its management.

The new plan stresses that it "is based on the recognition that private enterprise bodies carry out rational economic activities on their own initiative through the free enterprise system and market mechanism" and that "private enterprises are expected to make their own long-range plan based on the projected trend in national economy". The Plan states that "the role of the Government vis-à-vis private sectors is to create and develop such basic conditions that will enable private enterprise to operate freely and insure that the results of their unrestricted activities conform to rational economic laws", and contains the promise that "the Government will abolish what still remains of direct control on industries as soon as possible and hold to a minimum the area of administration directly interfering in the activities of individual enterprises". It adds, however, that "as to such industries as electric power, gas, transportation and banking, some forms of Government interference are called for in view of their monopolistic character and the public interests involved".

At the same time one has to realise that the Plan contains detailed aims for various industries and their exports and not only an overall target of doubling the national income within ten years. Another important feature of the planning machinery (and thus of the planning itself) is that the Economic Planning Agency has as its advisory organ, the Economic Deliberation Council, the main task of which is to prepare the long-range economic plan.

The Council is a standing organ which consists of up to 30 committee members appointed by the Prime Minister from leading industrial, banking and scholarly experts. The chairman of the Council is Mr. Ichiro Ishikawa, the former president of Keidanren (Federation of Economic Organisations), the powerful organisation of private enterprises, and the Council has several sub-committees with executives of big private firms as its members. Here is a direct connection between leading private interests and the Government in preparing the Plan, even if the final decision on the Plan rests with the Government. As there is a connection from the preparatory to the finalising stage of the Plan, there are also channels from adopting the Plan by the Government to its execution by the private industries. Only the future will show how far the Japanese authorities who have embarked on the new ten-year plan will reduce the direct and indirect "interference" within the private sector.

Significant remarks on this point were made by Mr. Okita, who observed that the Khrushchev reforms of 1957 represented a shifting of a substantial part of management of the Soviet overall economy from Moscow to local governments, signifying that the Soviet economy has reached the stage where all sectors of the economy could not be controlled smoothly by means of a central planning alone. Mr. Okita added that in this sense, even in the Soviet Union, interest has gradually increased in the price-mechanism of capitalist economies, which had previously been considered evil. On the other hand, he pointed out, capitalist countries have, consciously or unconsciously, been absorbing the experiences of a planned economy in the Soviet Union.

Trade Liberalisation and Convertibility

IMPORT of raw wool and raw cotton were liberalised from April 1, and the import of soya beans and refined lard is to be liberalised on July 1. These are further steps in Japan's policy of trade liberalisation, on which the country has embarked since January 1959. Since then discrimination against imports from the dollar area has been abolished, a number of goods have been transferred from the "foreign exchange fund allocation" category to the "automatic approval" category. Certain consumer goods which were previously not permitted to be imported have been freed for importation on foreign exchange allocations system, etc. However, Japan's trade liberalisation is still far behind the progress in foreign trade liberalisation by west European countries, and the same applies to the convertibility of Japan's currency. Japan has been under pressure from the International Monetary Fund to ease the restrictions on foreign exchange transactions, and talks between the Japanese authorities and representatives of the IMF are reported to be scheduled for the end of June in Tokyo.

The expansion of Japan's foreign trade constitutes a vital element in the realisation of her Ten-Year Plan (1961-1970) which aims at doubling the national income within this decade.*

Japan's foreign trade is to increase as follows:

	1959	1970
	fiscal year	
Exports	3,625	9,320
Imports	3,976	9,891

(all figures in million US dollars)

*Long-Range Economic Plan of Japan (1961-1970), Economic Planning Agency, Japanese Government, published by The Japan Times Ltd., Tokyo, Price Yen 800.

and the Plan says, that in the field of imports "the Government is required to push forth the trade liberalisation programme for the purpose of encouraging a smooth expansion of domestic activities", adding that "it must also devise a rational and flexible tariff system to deal with problems arising from the liberalisation of trade".

The expansion of trade at the aimed-at rate is a formidable task, and the Government's policy of liberalising commerce and the closely related question of the Yen-convertibility are of utmost significance to achieve the targets.

EASTERN WORLD has recently carried out an on-the-spot survey by interviewing prominent Japanese personalities on their opinion regarding the progress of trade liberalisation and the prospects of introducing full convertibility of the Yen.

A Trader's view

Mr. Tatsuzo Mizukami, Executive Vice-President of the Mitsui Bussan Kaisha Ltd. (the biggest trading company), was emphatic in his view that the time table of trade liberalisation which has been drawn up by the Government will not be delayed—but may, in fact, be accelerated in its execution. He referred to having regularly advocated a speedier liberalisation, and agreed that the Government was somewhat "timid" in this respect. Agricultural products, like rice and grain, present—as in other countries—difficulties, and these items will be the last ones to be liberalised. The fear expressed by some quarters in foreign countries, that Japan was reluctant to liberalise imports of commodities was not justified. The liberalisation of import of crude oil would take some time, as the serious situation of the coal mines was to be taken into consideration. Industrialists, entrepreneurs and the

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Government were in favour of a speedy liberalisation and the allocations for crude oil imports would be increased. Imports of finished goods would be gradually liberalised in accordance with the drawn-up schedule (even although some domestic manufacturers were against the liberalisation) provided that the country's foreign exchange holdings would remain at the present level (about US \$2,000 million).

A Banker's opinion

Mr. Masao Kanno, Managing Director of The Bank of Tokyo, referred to certain liberalisation measures—already adopted—in the field of foreign exchange regulations, and was optimistic of the prospects of gradual introduction of a complete convertibility this year. Imports were liberalised (it was possible to buy American cigarettes—which was not possible in the past), and Mr. Kanno stressed the point, that the Japanese liked foreign-made goods. He felt, however, that while in the past Japan's exports had made good progress, it would be difficult to achieve further increases of exports at a rate, prescribed by the Plan. He described himself as belonging to the "pessimists", expressed concern about the "too great investment speed" of the Plan, felt that labour shortages might hamper the fulfilment of the Plan's targets and was pessimistic as to whether prices could remain at the present level. Should, however, the export prices go up, then it would become very difficult to increase the exports at the rate which was required by the Plan. At the same time he was not afraid of trade balance deterioration for the next two years, and felt that the present foreign exchange holdings were sufficient, provided that the balance of payments did not "get into the red".

An Editor's alternative

Mr. Harada, Managing Editor of *Toyo Keizai Shinpo* (a leading economic weekly) predicted that full convertibility of the Yen will be introduced next year. He emphasised the fact, that the business-community as a whole and the Government were agreed to push the trade liberalisation as quickly as possible, irrespective of what some individual businessmen may feel about it. He personally advocated a quickening of the liberalisation pace, but added that other countries which still applied paragraph 35 of GATT should revoke this discrimination against imports from Japan. He felt that the application of paragraph 35 could be replaced by an agreement on voluntary limitation of Japanese exports to these countries (see *EASTERN WORLD*, December 1960, p. 29)—which he described as "the most advisable alternative", and added that Japan would be willing to accept such offers.

Conflicting views

Some importers complained that, following the liberalisation of import-regulations of some items, the import-tariffs were changed and that import duties on these goods were increased. On the other hand, Professor S. Kuwahara, Chief of the Economic and Research Department of the important trading firm, C. Itoh & Co., expressed the opinion that the Government should carry out an export-drive, that the Export-Import Bank should reduce the interest rates, and expand the terms of credits from six to seven years to 10 years, promote export credit guarantee expansion schemes. He observed that the "Government was weak in export-drive ideas".

Mr. Susumu Matsuzaki, Managing Director of Nippon Reiso K.K. (Japan's oldest and largest refrigeration service organisation with widespread international connections), was very outspoken in favour of free international trade. He complained that Japan's liberalisation of trade was too slow. He declared that "unless a country was willing to import as much as possible, it will not be able to export as much as it wants," and he added that "trade must be a two-way traffic. As long as Japan does not take this line, she cannot expect to have good trading friends abroad. . . ."

On several occasions Government officials emphasised to *EASTERN WORLD* that the Government policy is firmly set on liberalisation of international trade.

Mr. Sadanobu Oda, Director of The Export-Import Bank of Japan, stressed that Prime Minister Ikeda was for freedom of trade, and referred to the necessity of "harmony of trade".

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UK-JAPAN TRADE

THE United Kingdom has become the biggest market in Europe for Japanese exports. The trade between the two countries has been expanding since the trade arrangements of July 1960 came into force. This was the comment by the Japanese Ministry of Foreign Affairs (quoted by *The Bank of Tokyo Weekly Review* of May 1, 1961) in connection with the extension of these trade arrangements by six months to September 30, 1961. According to British statistics the trade between UK and Japan has developed as follows:

	UK exports to Japan	UK imports from Japan
Second half 1959	14.0	20.6
Second half 1960	15.0	22.1
First Quarter 1960	6.5	9.7
First Quarter 1961	9.4	13.3

(all figures in £ million)

What are the prospects of trade between the two countries? From the purely economic point of view, there are good possibilities for further expansion. Japan's economy is developing rapidly, new factories are being planned and built, she has accumulated a large amount of foreign exchange and has embarked on the policy of trade liberalisation. As her living standard is rising, Japan is a growing market for industrial goods as well as for high-grade consumer goods, and various British industries could increase their exports to that market.

The difficulties are more in the—one could say—"psychological" field, and more personal contacts are needed to overcome certain old prejudices which still linger among some business-executives in both countries. The complaint which one hears often in Japan is that British industries neglect the Japanese market, and that Japanese businessmen who intend to place orders for machinery are often shown only the manufacturers' catalogues and not their equipment in actual operation. But most of these complaints belong to the past, and when last autumn a group of Japanese machine tool experts visited Britain, they were shown various factories with the result that orders for machine tools were placed in Britain. Already during the first quarter of 1961, UK exports of machine tools to Japan amounted to nearly £500,000 (as against less than £120,000 during the corresponding period of 1960), the backlog of machine tool orders for Japan is at present considerably higher than in the past, and the prospects for further orders from Japan are good.

Executives of British firms who visited Japan recently have described to *EASTERN WORLD* their impressions of Japan as an "eye-opener", and they have returned to Britain confident that there are interesting possibilities of either exporting their goods to Japan or manufacturing these goods under licence there. More personal visits, no doubt, would accelerate the recent trend of trade expansion and of a better understanding and growing interest, as understanding of each other's problems and expansion of trade are closely interrelated. On the Japanese side it is realised that despite the invocation of GATT paragraph 35 by Britain, the UK has become the largest market in Europe for Japanese goods, and that Japan has a favourable trade balance in her trade with Britain. If—even for no other than purely "psychological" reasons—Britain would withdraw the invocation of this discrimination against imports from Japan, and would come to some arrangements with the Japanese Government on voluntary limitations of certain Japanese exports to Britain, a better climate for economic

and trade relations would be achieved.

Sir Douglas Thomson, Chairman of Ben Line, announced in May, that for the first time for many years Ben Line ships will visit Japanese ports on a regular monthly service, and that the East bound vessels would normally load at Antwerp, Middlesbrough, Immingham, London and Southampton for Kobe and Yokohama. The passage between London and Japan will take 45 days, while the passage from Kobe to London will last only 38 days. (The Company's sailing ship "Araby Maid" called at Japanese ports just one hundred and one years ago, and at that time the round voyage lasted two years). Sir Thomas has recently visited Japan, and was viewing with confidence the prospects for an increased trade with the Far East, including Japan. This is another important indication for the growing interest and confidence of British businessmen in the future of British-Japanese trading relations.

An outstanding example for industrial cooperation between British and Japanese industries is the construction of Japan's first nuclear power station at Tokai-Mura. A further stage in the progress of the building of this power station was marked on April 7, when the British Ambassador to Japan, Sir Oscar Morland, officially opened the site offices of the British General Electric Co. in Japan at Tokai-Mura, and his speech praised the existing partnership between the British and Japanese companies which went a long way to prevent cut-throat competition.

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JAPAN-US: ECONOMICS AND POLITICS

By HUGH H. SMYTHE

FOREIGN Minister Zentaro Kosaka reminded the America-Japan Society of Tokyo last February of the long years of amicable relations between the US and Japan, feeling this was because "the two nations are possessed of an identity of ideals and interests". Perhaps it was understandable then that each was pleased by the election results last autumn which returned Premier Hayato Ikeda to office and brought President John F. Kennedy into power. The latter's eventual appointment of Dean Rusk and Chester Bowles to the two top State Department posts, and, as Ambassador, Harvard University's distinguished specialists on Japanese affairs, Edwin O. Reischauer, whose wife is Japanese, pleased both Government and Major Opposition in Japan, for all three men are conversant with Far Eastern problems.

Politically the action of both countries in several major spheres have coincided. The Japanese subscribed to Kennedy's ban on U-2 air flights over Soviet territory, his serious view and belief in delay on nuclear-test talks, and coolness towards French atomic testing in the Sahara Desert. They agreed in rejecting Khrushchev's efforts to reorganize the United Nations, and stood together on the Laos issue. They conformed to the view opposing "ideological neutralism" and cooperation between "free world" nations in a "realistic and flexible manner" with "efforts concentrated in the United Nations". Also, on the issue of China, though surface ripples seem to separate them somewhat, undercurrents favourable to a more positive attitude are running in Washington and Tokyo. On Africa, however, there is a difference over the use of

troops in the Congo, the US favouring such action while Japan, though sympathetic, is caught in a conflict of interests. Its Constitution prevents the use of force as a means of settling disputes, yet it wishes to fulfill her moral obligation to come to the aid of the UN in time of trouble. Finally America's new positive policy of support for African aspirations is in contrast to Japan's unwise remarks, made after the Union of South Africa withdrew from the British Commonwealth, that South Africa offered her a big potential market for trade. Other than these, there are no outstanding differences on the political front.

But politics and economics go together, and changes in one invariably affect the other. Thus in economic matters, where noticeable changes have occurred in both nations, the situation is not as harmonious as on the political front. America has been experiencing an economic slackening arising from international balance of payments problems and dollar outflow, and its inability to reabsorb into the labour force 5,500,000 unemployed who are out of work partly because of increasing automation in industry. Meanwhile, in spite of America putting a ban on overseas purchases with US aid funds at the end of last year, which in Japan amounted to \$115,800,000 in fiscal 1960—the highest dollar outlay for foreign supplies in any single country outside the United States—Japan's future continued bright, even though she began to incur balance of payment deficits beginning in January. The agricultural production index continued to go up, farm income gained, the industrial production index kept moving

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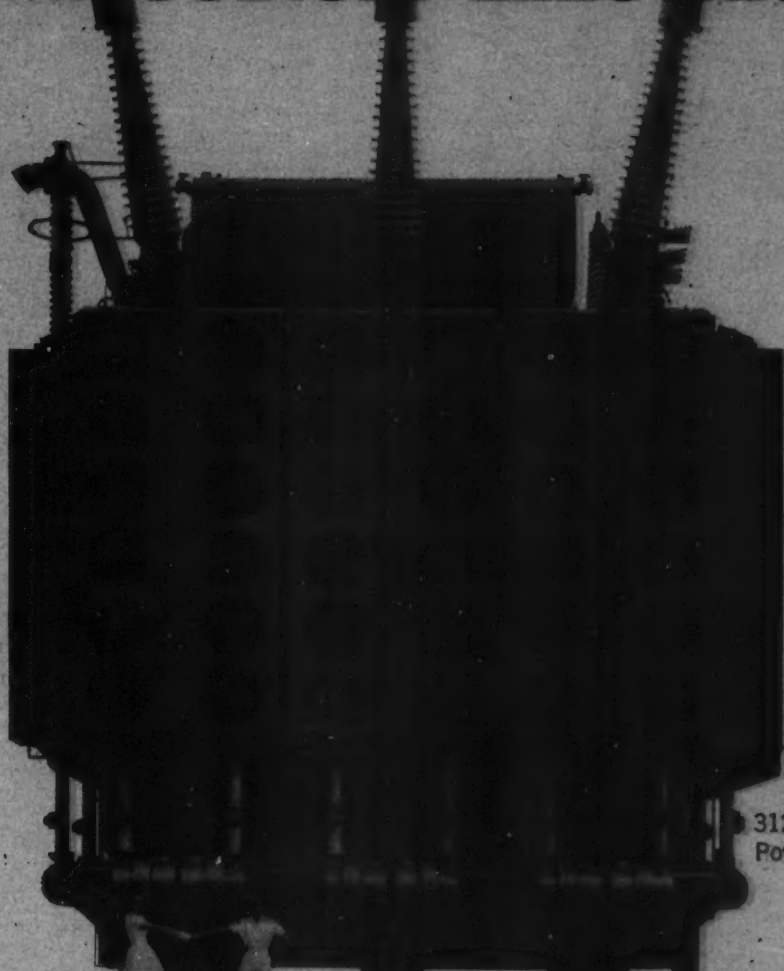
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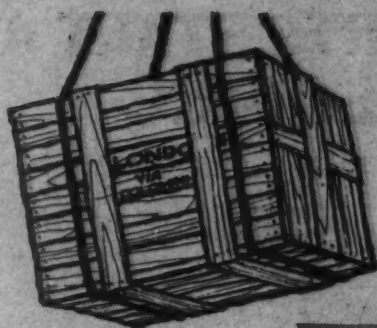
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upward, steel output steadily increased, shipbuilding went on at its usual high, the electronics industry continued to expand, and Japan retained her position as the world's leading fishing nation.

Against this background of gloom and boom, economic matters involving the two countries have focused around three major questions. First is the postwar Japanese foreign aid debt, known as the GARIOA (Government and Relief in Occupied Areas) account. Amounting to almost two billion dollars, Washington has become restive and feels Tokyo is foot-dragging on the matter, especially in view of Japan's trade gains and positive financial situation. It is because of this that the US wants Japan to begin negotiations towards payment and refuses any longer to accept Japanese pleas of inability to act because of balance-of-payment difficulties. Washington points out that for the calendar year of 1960 Japanese international balance of payments showed a favourable margin of \$522 million.

Next, just as Mainland China causes difficulties in the political sphere, this is carried over into the economic sector. The past Eisenhower Administration adhered to a firm policy of "no dealings" with Peking and US trade with China was banned. The Japanese, whose economy is still very closely connected with America's, took no official steps to increase their trade with their geographical neighbour during the Republican administration. But last January Prime Minister Ikeda told the Diet "With respect

to the problem of trade with Communist China, we hope that it can be smoothly expanded in commodities which are mutually required by the national economies of both sides," adding that "Since Japan and Communist China are close neighbours, it is only natural that we consider adjusting our relations with it." The Japanese feel they are on safe ground now because of the cut in US spending in Japan as a dollar-saving measure. Further, they ask the US: Knowing that Japan's life blood is trade, how can she expect her as an Asian ally to remain aloof, while her European counterpart, Britain, steps up her trade, which increased her exports to Red China in 1960 by almost 50 per cent, and current indications show no slowing up here?

Finally, the problem of continuing unemployment in America has caused increasing concern on the part of segments of both labour and industry, especially in textiles and electronics, where Japanese inroads continue to be made in the US market. Thus early in 1961 the Amalgamated Clothing Workers and Chicago Local 1031 of the International Brotherhood of Electrical Workers unions made plans to institute a boycott of Japanese goods beginning on May 1. Although the US Japan Trade Council in New York, organized to promote trade with Japan, opened a counter-offensive against the threatened boycott, it was only the personal intervention of President Kennedy in mid-April that persuaded the two unions to cancel their plans. But Congressmen, especially from southern textile-producing states, put Japan on notice that quotas on foreign imports were essential if the Reciprocal Trade Agreements Act, which expires next year, is to be extended.

While the situation here remains in *status quo* as interests on both sides of the Pacific try to compose differences, Japanese and US spokesmen attempted to clarify the economic scene. President Kennedy pointed out that Congress had provided procedures "by which those industries that are hard hit can protect themselves." While Mr. Tokusaburo Kosaka, economist and head of chemical and newspaper companies in Japan, while in America in April as a member of a high-level Economic Mission, pointed out that Japan's need to increase exports probably has never been more vital than at present, because her economic progress has reached a most critical stage. Industrial development in the last two years has made an unparalleled forward surge with hopes on the part of Japanese people for a considerable rise in living standards looked upon as an obtainable goal. Although South-East Asia is a potentially fruitful market, Japan cannot wait for this future trade growth, and so she has attempted to increase her share of the American market. He noted that currently trade is roughly at a yearly level of \$1,500 million in US exports to Japan, and \$1,100 million of Japanese exports to America. The expectation, Mr. Kosaka said, is that "We would like to see this two-way exchange raised to a total of \$4,000 million in about the same ratio as at present during the next five years." He went on to say that his comments may seem more optimistic than those of some Americans about the future of their economy.

Other American sources felt that a more balanced view of the situation must take into account at least three factors: The US must import, if it wishes to export. The only real long-range protection against effective Japanese competition is increased productivity and lower costs of production here; and the purpose of such protection, given by tariffs or other measures, should be to ease the transition while one or the other interest makes appropriate adjustment to a sudden sharp increase in foreign competition, but under no condition should the purpose of protection be to protect indefinitely—at the expense of the American consumer—those who refuse to meet competition on its own ground of cost, price and quality. If this ideal prevails, there is good reason to hope with Foreign Minister Kosaka that problems between the two nations will continue to be "satisfactorily resolved through mutual understanding and accommodation".

Tokyo International Trade Fair

THE Fourth Tokyo International Trade Fair, the largest ever to be staged in the Far East, opened its doors to hundreds of thousands of foreigners and Japanese last month. At the Hamamichi Pier site jutting into Tokyo Bay some 2.5 kilometers due south-east of Tokyo's famous Ginza Street, some 28 foreign countries' flags flapped over the main entrance, including the United States though not the Soviet Union. The Fair authorities issued some 50,000 visitors' cards to buyers from all over the world and over two and a half million people clicked passed the turnstiles. Nearly \$70 million worth of contracts have been concluded in the Fair's three-week-long period of operation.

A USSR trade exhibition will take place in Tokyo shortly following the success of the Japanese exhibition in Moscow last year.

The fourth Fair was about two and a half times larger than the 1955 Fair, and about 50 per cent bigger than that staged here two years ago. There were 10 main pavilions, about one-third of them permanent Fair site structures.

Over 4,000 firms showed the wares they handle or manufacture. Ninety-nine per cent of the foreign displays were in the machinery category.

More special pavilions than at any other Fair in the past have been constructed for both foreign and Japanese goods. Each of the nation's 46 home prefectures had special booths to feature regional commodities.

The Governments of the United States, Australia, West Germany, France, Czechoslovakia, and nine other countries in South-East Asia, Africa, and the Middle and Near East participated throughout the Fair's duration. Private industries and enterprises of 19 countries including Belgium, Canada, Great Britain, New Zealand, Formosa, the Philippines, Israel, and Spain competitively displayed their products. For the first time Ghana, Mexico, East Germany and Hong Kong had booths at the Tokyo Fair.

There were a total of 22 display halls, including 12 special halls, and almost all types of merchandise were on display, from small consumer goods, agricultural products and electronic items, to huge industrial plants, heavy construction equipment, fabrication machinery, machine tools and the like. Goods shown were in the metal, wood, plastics, rubber, synthetic textiles, natural textiles, paper, glass, ceramics and other material ranges.

Amongst the major Japanese firms represented were Fuji and Yawata Iron and Steel, Mitsui & Co., Tokyo Shibaura Electric, the Fuji Bank, Hitachi, Sony, Mitsui Shipbuilding, Toyo Spinning, Dai Nihon Spinning, Ishikawajima-Harima, Mitsubishi Heavy Industries, Japan Steel Tubing, Nippon Denki, and many others from about all industries, including shipbuilding, petrochemical, chemical, light and heavy machinery, electrics and electronics, camera and optical, chemical fertilizers, petroleum, trading, shipping, textiles, metal working, rubber manufacturing, plant making and assembling and sundry lines.

Domestic participants totalled 1,113 firms, thus giving full display to goods made by small and medium-sized as well as major industrial enterprises of Japan.

Buyers were given the "red carpet treatment" throughout the Fair's length but the public had its occasions too: nine days were declared "open days" when the public was admitted to stream in to its heart's content.

The Australian Pavilion, measuring 200 square meters, presented goods including wool, coal, leather, minerals, lumber and foodstuffs while machinery and machine tools were the highlight at both the East and West German Pavilions.

The United States—its theme "American Quality—Product of Constant Research"—again has built a mammoth pavilion comprising 3,400 square meters to exhibit its wares, mainly construction and industrial machinery, machines and machine tools. It also

featured the Bulova "Accutron" watch—the world's first micro-sonic watch—the "Air Car" and various other innovations, some shown here for the first time.

Trade parties came from many places: a group of 50 representatives of influential trade firms in Oslo; 151 official delegates from the Philippines; a nine-man trade promotion and productivity stimulation group, under the Department of Commerce aegis, from the United States, and official parties from the Netherlands, Burma, New Zealand, Taiwan, and Indonesia.

In connection with this Fair the Japanese Government announced recently that, keeping step with the recent world trend toward overall free trade, it is trying to expand mutual trade through further promoting exchange and trade liberalisation.

The Tokyo International Trade Fair represents the achievement of industry in recent years among the participating nations. The trade fair will accelerate trade among them and present good opportunity to introduce the best of all industrial products in each nation to others.

The exhibition has clearly demonstrated the production volume and the increased variety of the products manufactured by Japanese industries, including in the machinery field. It is expected that executives of western firms will get a better appreciation of the development of Japanese industries which would lead to closer cooperation with Japanese firms. There is no doubt that various Japanese and also European firms (e.g. Siber Hegner) who represent foreign machine manufacturers in Japan, are well equipped to introduce western products in the growing Japanese market.

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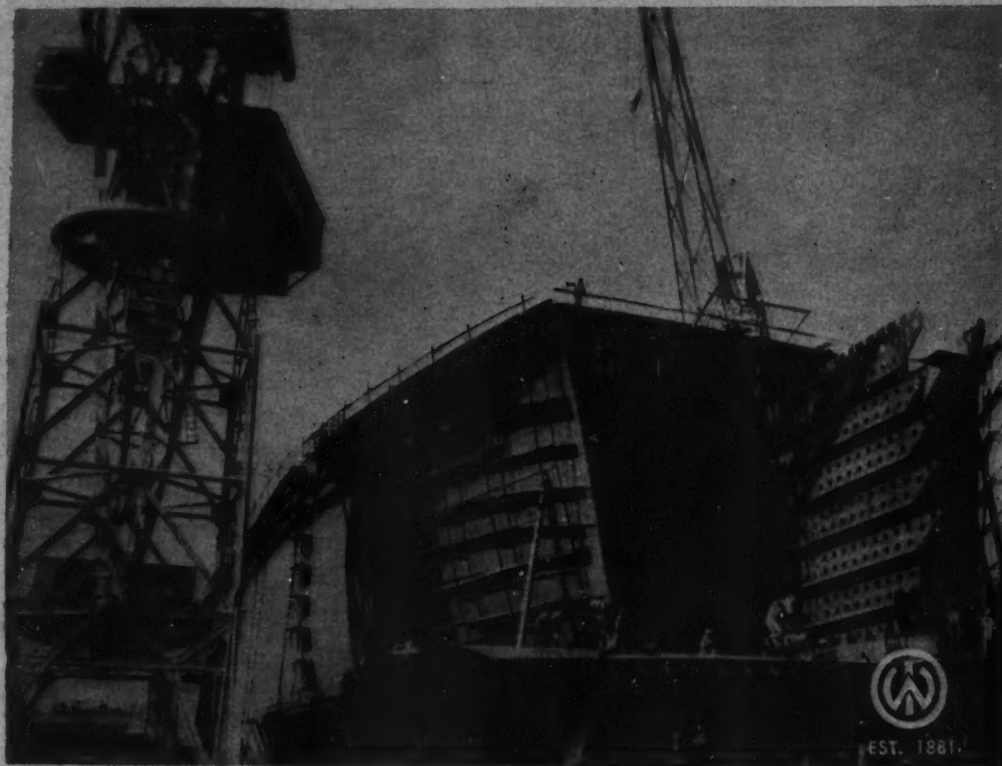
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Shipping and Shipbuilding

Mr. Shuishi Kumano, Director of Mitsui Steamship Co., told EASTERN WORLD that Japanese shipping could not catch up with the rapid growth of the Japanese economy, and that the shipping companies had not been compensated for their losses during the War. The high interest rates which shipping companies had to pay were the "weak point" of the Japanese shipping industry. The share of Japanese imports transported by Japanese ships had decreased from 59 per cent in 1958 to 51.5 per cent in 1959, and to only 47 per cent in 1960. Further, since November 1960 the US policy of "Buy American—Ship American" had adversely affected Japanese shipping interests. Mr. Kumano said that the Japanese shipping companies were appealing to the Government to reduce the interest rates on loans from the Export-Import Bank to the level of the rates granted to Japanese exporters. The Mitsui Line was inaugurating regular services from Japan to the UK and the Continent, and from the Continent (West German, Dutch and Belgian ports) to the Far East.

Mr. Shojiro Kikuchi, Director of Nippon Yusen Kaisha, informed EASTERN WORLD that the Shipowners Association was pressing the Government for cheaper loan rates, and complained that some Japanese steel companies had concluded long-term agreements with "flag convenience" companies (e.g. Panama) for transport of raw materials to Japan. He added, however, that 80 per cent of his Company's business was "liners business", and that the financial situation was improving due to increasing Japanese exports.

The Ten-Year Plan of the Japanese Government (1961-1970) emphasises the importance of the invisible trade in Japan's overall balance of international payments. The Plan envisages that the share of Japanese vessels in the total volume of import cargoes

would rise to 60 per cent for ordinary cargoes and 65 per cent for oil. The required tonnage of Japanese ocean-going vessels to achieve the target is estimated at 13,350,000 tons. For this, new ships totalling 9,700,000 tons to be built during the programme period, and this figure includes replacement for some 1,260,000 tons of overaged ships to be scrapped during the same period. The Plan states that "there exists a great disparity between the required volume of new ship construction and that to be undertaken on a pre-depreciation profit basis for the purpose of strengthening the international competitive power of Japanese shipping industry" and adds that "therefore, the volume of new shipbuilding should be held down in the first half of the programme period to have Japanese shipping enterprises increase their capabilities for expansion. In the latter half, new ship construction should be stepped up so that the gap between the two levels may be closed. To achieve this goal, first of all, shipping companies must make utmost efforts to improve their management. The Government, for its part, should give assistance to them by taking such measures as the securing of necessary funds for new ship construction, reduction of high interest rates, promotion of transportation between the third countries and the development of high-efficiency ships."

The latest available statistics on Japanese shipbuilding activities show that by the end of March 1961 Japanese shipbuilding yards had 139 ships of 1,025,000 gross tons under construction (showing an increase of 128,875 tons as against the previous quarter), including 35 ships of 495,731 tons for registration in other countries. During the first quarter of 1961, 116 ships of 469,739 tons were commenced, 115 ships of 408,721 tons launched, and 113 ships of 336,884 tons completed (Lloyd's Register of Shipping). Japan's exports of ships during the whole 1960 fiscal year amounted to 898,091 gross tons valued at US \$291.5 million, a decrease of about 17 per cent compared with the 1959 exports.

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Japan's Trade with Sweden

ACCORDING to Japanese statistics the country's trade with Sweden has developed satisfactorily during the last four years and Japan has a favourable trade balance with that country.

	Exports	Imports
1957	24.3	15.4
1958	20.0	8.6
1959	21.6	10.2
1960	36.5	10.5

(all figures in million US \$)

Recently, the validity of the existing trade arrangements between the two countries were extended by another three months to the end of June, according to which both partners will continue the practice of non-discriminatory treatment of imports. Japan's exports to Sweden comprise consumer goods, including textile goods, binoculars, toys, as well as wireless and television sets, canned goods and metals. Japanese imports from Sweden consist mainly of iron and steel goods and machinery of various types.

New Railway

THE World Bank has made a loan equivalent to \$80 million to the Japanese National Railways for the new Tokaido Line to link Tokyo with Osaka, via Yokohama, Nagoya and Kyoto. The new railway will provide the fastest train service in the world; it will run 311 miles (500 km) through the industrial heart of Japan, and will relieve the present heavily overloaded rail and road transport facilities.

The Tokaido area comprises only 16 per cent of the total land area of Japan, but contains 40 per cent of the population and includes all cities with a population of a million or more, as well as most of the major ports. Its industries account for more than 70 per cent of national industrial output, including heavy industry, shipbuilding, electrical equipment, chemicals and textiles. Transport in the area has lagged far behind other growth, and the lack of adequate facilities is an obstacle to continued economic development. The existing highway passes through densely built-up areas and is almost continuously congested. The present Tokaido narrow-gauge railway is already operating at full capacity, with as many as 186 passenger trains and 124 freight trains daily.

The new Tokaido Line will run parallel to the existing line. It will be used only for express passenger or express freight trains, which will travel at maximum speeds of 125 miles (200 kms) an hour and 94 miles (150 kms) an hour respectively. The old line will also benefit in being able to concentrate on traffic more suited to its facilities, and it is estimated that its efficiency will rise by 20 per cent.

The new railway will be an electrified system with standard gauge double track throughout. There will be 80 tunnels, of a total length of 39 miles (62 kms), which, with about 11 miles (18.1 kms) of bridges, and with elevated track and other structures required by the hilly terrain, will constitute 45 per cent of the 311-mile line. Self-propelled railcar sets will be employed in both passenger and freight service instead of trains hauled by locomotives. Passenger trains will consist of multiple-unit car sets to a maximum of 16 cars seating about 1,250. Freight trains will have a payload maximum of 750 tons.

The total cost of building and equipping the new Tokaido Line is estimated at the equivalent of \$548 million and it is planned to begin service over the entire line by the spring of 1964. The Bank loan will cover about one-seventh of the total cost and the remainder will be met by the Japanese National Railways from borrowings in Japan. A start has already been made on construction and the first 22 miles (35 kms) are scheduled for completion in April 1962.

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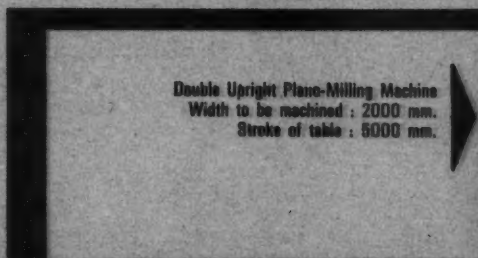
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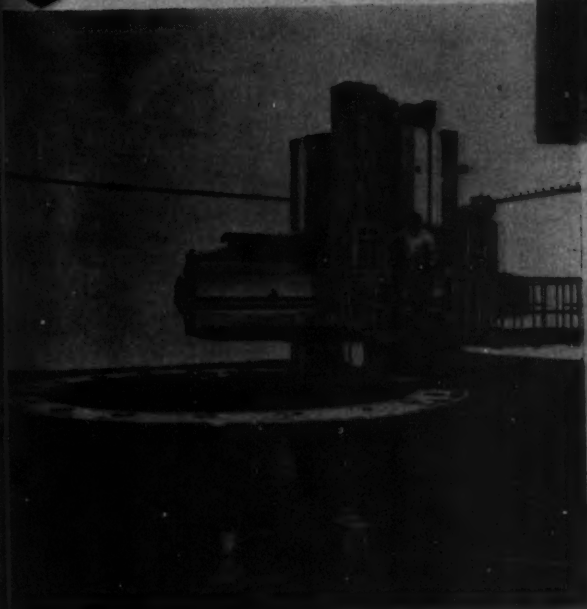
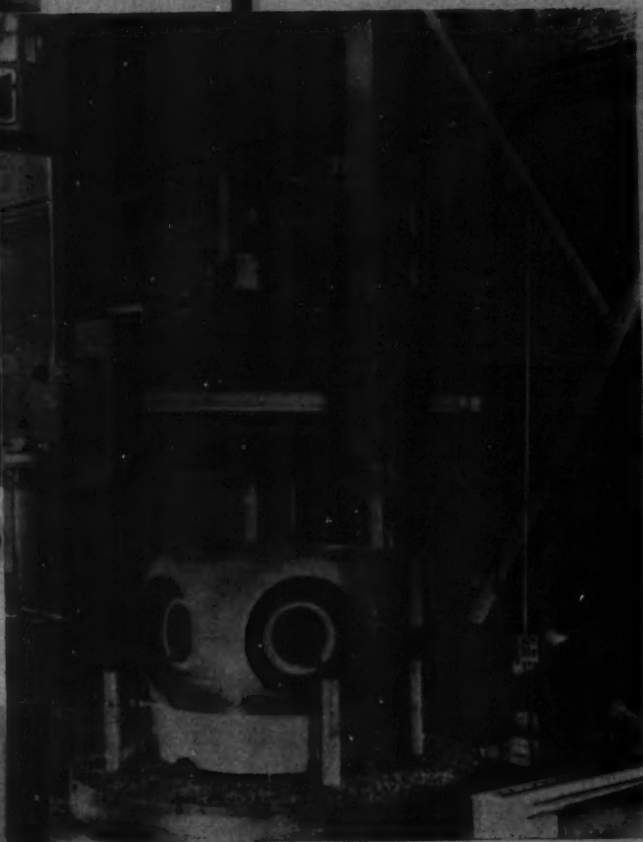




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Japanese Flocking to West Europe

HUNDREDS of Japanese, well-dressed, and with latest-model Canons and Nikons slung in leather camera cases about their shoulders, are flying to western Europe, on business and for pleasure alike, in what one commentator calls, "droves". More than 50,000 passports have been issued by the Japanese authorities from January 1960 to the present. This is quite a rise from the 13,441 passports issued in 1952, the 21,893 handed over in 1955, and the 39,380 even presented to the outbound Japanese citizen, as recently as 1959. And these figures exclude passports in Government personnel which would boost the annual totals by approximately 10 per cent.

This is, of course, not much of a ratio—50,000 people travelling in foreign lands out of a total population stretching upwards towards 94 million—but it is still a significant figure for a country, once too poor to issue foreign exchange to travel, for a country once determinedly xenophobic, for a people who were largely in ignorance of the world outside Japan's four main home islands.

And the figure will probably rise to exceed 75,000 passports issued by the end of 1962.

Now with foreign trade—and currency—the more liberalized, it is growingly easy to get dollar allocations for travel overseas, and already various banks are going into the travel-deposit business, allowing clients to set aside monthly deposits for travel, with the banks giving fair rates of interest to add on for that future trip abroad.

No longer is travel restricted to the diplomat, the roving correspondent, the visiting business executive, the convention-attender, or the favoured individual. Common folk are getting together their savings, translating them into dollars, pounds sterling, francs, and marks—and taking off.

Plausible excuses are no longer required; simple travelling is welcome, on a cash-available, first come, first served basis—by among other lines, British Overseas Airways Corporation (BOAC), which is a great favourite with Japanese, both those going out and those coming home to Japan.

Organized groups are travelling more, usually to inspect their counterpart industries in foreign countries.

Barring a radical change in the international situation and assuming that Japan's economy will continue to develop at the present rate, the numbers of free-spending tourists, with Japanese passports, will increase.

The BOAC, in fact, reports that some business firms have used the British service to send their executives on overseas flights in lieu of retirement bonuses.

At the present rate, a six-week world tour can be had for about \$1,000, and a four-week visit to Western Europe, for about \$2,200.

BOAC, Air India International, Lufthansa and other airlines connecting western Europe and curious, out-looking Japan, expect business to grow "astronomically" in the years ahead.

Hitachi Central Research Laboratory

HITACHI LTD., one of Japan's leading engineering concerns, attaches great importance to the development of their own technology. Of nearly 40,000 employees in their various factories and offices, about 3,000 are engaged in research. The Hitachi management felt that, in addition to the scientific work carried out in their individual factories, it was necessary to conduct basic research in one location. Therefore, a Central Research Laboratory was inaugurated in 1942 which has been gradually expanded and at present employs some 1,000 persons, including 300 University graduates. It is thus the largest of its type in Japan, and is situated at Musashino in the vicinity of Tokyo occupying

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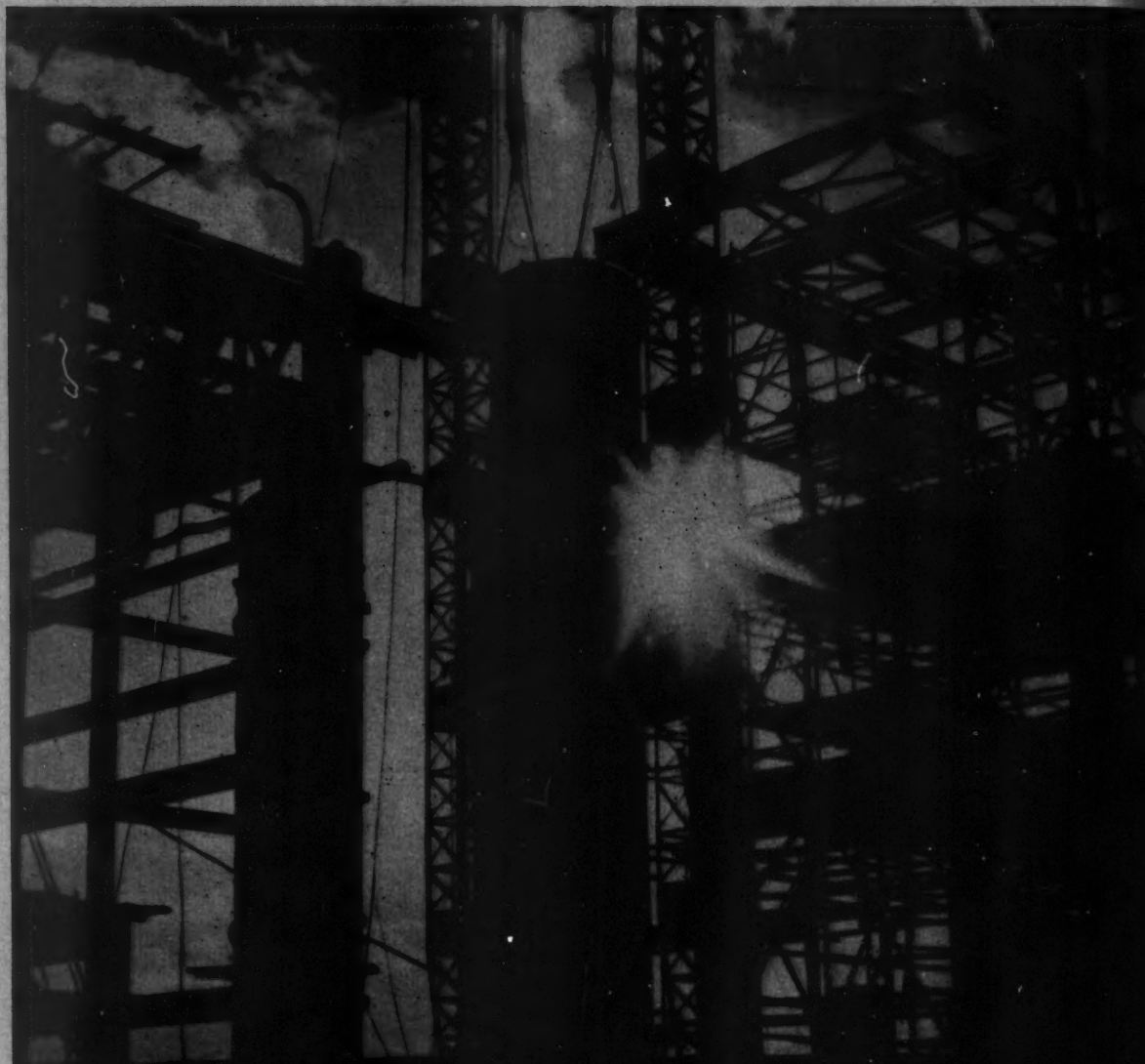
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nearly 57 acres of land. Research on electronics and the application of atomic energy to power generation are among the main activities of this laboratory at present. It is equipped with special installations which provide low-humidity and dust-free conditions, and recently a 185 ft. tower was completed for research on microwave communications equipment. Many Japanese Universities which do not possess this type of facilities benefit from cooperation with this research laboratory belonging to a private concern.

Valuable research work has been carried out in the field of transistors (a Hitachi transistor factory is situated in the neighbourhood of the research centre), and apart from intensive research to find new materials, the laboratory has been investigating magnetic properties with the aid of high-power generators. Klystron multi-cavity tubes have been developed in this centre, and the designing and construction of electron microscopes belongs to its outstanding achievements. Hitachi have been exporting electron microscopes to various countries, including to the US, mainly to medical departments of various Universities. Electronic refrigerators and water coolers have already reached the prototype stage, while computers developed by this laboratory have been supplied for machine tools, for automatic process control in chemical plant and other applications. There are many other achievements of this institute (e.g. highly efficient hydrogen discharge lamps, uranium chloride flow meters, etc.), and the research activities have greatly contributed to the competitive strength of this concern which supplies the Japanese home-market and is very active in export business in a very wide range of heavy electrical equipment and machinery, communication apparatus, transistors, measuring instruments, and optical and medical instruments, industrial machinery and rolling stocks, household electric appliances and many other goods. India represents an important market for Hitachi machinery and equipment for power stations, and in addition this Japanese concern has "know how" agreements with Indian partners for the manufacturing of water metres and insulating materials in India.



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STEEL INDUSTRY

Kawasaki Steel Corp., Chiba Works

JAPAN'S steel industry has embarked on a further brisk expansion and modernisation programme to achieve an annual output of 45 million tons of crude steel by 1965. This programme must be studied against the background of the development of the industry since the end of the war and of the country's overall economic development plans.

The immediate post-war period (1945-50) was devoted to the steel industry's restoration of productive facilities and equipment. It was followed by the First Modernisation Programme which started in 1951, and was completed by 1955 involving a capital investment equivalent to over £128 million. While this programme was in the process of implementation, a supplementary programme was decided upon and its execution began in 1954. It included the renewal of some old equipment and new construction work (the latter to the value of £35 million). For this programme the Japanese steel industry obtained for the first time loans from the World Bank. The recession of 1954-55 had changed to a brisk demand for steel in the Japanese domestic market in 1956, but production was handicapped by the dependence of the industry on imports of scrap (mainly from the United States). To improve this situation, the Second Modernisation Programme was launched in 1956 with an emphasis on the construction of blast furnaces and LD (Linz-Donau) process converters. Already in 1956 Nippon Kokan K.K. (Japan Steel & Tube Corporation) signed a technological tie-up agreement with the Austrian firm, the pioneers of the LD process, and the first two oxygen top blowing converters went into operation at the Corporation's plant at Kawasaki in February, 1958. On the basis of a sub-licence clause of the agreement, LD converters were installed in other Japanese steel making plants.

The investment involved in the Second Programme amounted to the equivalent of £450 million (including £100 million for pig iron production, £40 million for steel making and £210 million for rolling plant and equipment). New complete, integrated works have been built (one during the First Programme, and four during the Second Programme) and the execution of the Second Programme is to be completed this year.

As the result of these development schemes the production of crude steel has already increased from 5 million tons in 1950 to 18.5 million tons in 1959, and to over 22 million tons in 1960. Japanese authorities and steel makers are confident that the domestic demand for steel will continue to increase sharply owing to the growth of Japanese manufacturing industries and building activities as well as to the forthcoming expansion of public utilities, the power and water supply, and road and other transport networks. The raising living standard of the Japanese people also results in a growing demand for motorcars and durable consumer goods.

The 1959 four months-long steel strike in the United States led to an increase of steel exports to that market from 388,000 tons in 1958 to nearly 660,000 tons in 1959. In that year 41.4 per cent of Japan's total steel exports went to North America, 42.3 per cent to Asian countries and 11.2 per cent to South America. During the six-months period, April-September 1960, exports of iron and steel products increased to 1,161,000 tons.

Integrated steel works

Over two-thirds of the 1959 total steel output were produced by the six major steel making concerns, namely Yawata Iron & Steel Co. Ltd., Fuji Iron & Steel Co. Ltd., Nippon Kokan K.K. (Japan Steel & Tube Corporation), Kawasaki Steel Corporation, Kobe Steel Works Ltd., Sumitomo Metal Industries Ltd. These companies are again contributing the major share to the country's overall growth in steel output, by carrying out their expansion programmes.

Mr. Teruo Godo, Managing Director of Japan Steel & Tube Corporation, told EASTERN WORLD that the Corporation's share, which amounted to 12.5 per cent of Japan's total steel output a few years ago, dropped to 10.5 per cent in 1960 but is to be restored to 12.5 per cent again. The corporation has three integrated steel mills, and exports steel to North America, South-East Asian countries and some African markets. The corporation is the oldest and the largest tube manufacturer in Japan. Among new products of this concern are light steel products from sheet or hoop, and heavy types welded from plates and rails. Ferro-alloys are an important line of business. The concern has also an integrated chemical plant, and chemical compound fertilisers are exported to New Zealand, Australia, Formosa and other markets. The Corporation is also very active in shipbuilding and engineering fields and has several technological tie-ups with western firms, including an agreement with French companies for the manufacture of the NKK-Sigma-Rateau system free piston engine.

Kawasaki Steel Corporation's total steel ingot output reached 2,069,000 tons in the 1960 fiscal year, including nearly 1.6 million tons produced in the new Chiba works, which are a full integrated steel plant in which the slabbing mill and strip mill plants are located on a straight line. A recent report by the Yamaichi Securities Co. said that "the Chiba mill, already partly in operation, represents one of the outstanding examples of the company's pioneering spirit. Once criticised as a foolhardy or reckless venture, the mill's construction project, on which the company has staked its whole destiny, has shattered all pessimist apprehensions with the start of the current unprecedented economic boom as well as the corresponding prosperity of the steel industry in Japan back in early 1959." In the next five years, i.e. by 1965, the corporation is to double its overall production, and the annual

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output of steel ingots is expected to reach 4 million tons, and that of steel products—3 million tons. EASTERN WORLD was told, that the present steel output of the Chiba mill is to treble within ten years, and the Yamaichi report says that "in view of the ever-increasing need for steel in Japan to boost its production efficiency in the new age of free trade competition as well as under Japan's 10-year economic development programme, the company is reportedly drafting a still more ambitious plan to build a new mill twice as large as the Chiba mill and annually capable of producing 4 million tons in terms of pig iron". (A report on US loans to the Kawasaki Steel Corporation and Sumitomo Metal Industries Ltd. was published in the March issue of EASTERN WORLD—p. 36.)

Kobe Steel Works Ltd. became an integrated manufacturer of pig-iron, steel and machinery with the completion of the blast furnace in January 1959. The important feature of this concern is the highly diversified manufacturing programme which has been strengthened by a large number of technological tie-ups and licensing agreements with western firms. Kobe Steel Works are Japan's biggest manufacturer of wire rods (special high-quality products have been exported to the United States, Soviet Union, India and other Asian markets), and over 52 per cent of Japan's 1958 total production of arc welding electrodes were supplied by this company's highly modern factories. Stainless tube manufactured by the Ugine Sejournet process of extrusion have been exported to the Soviet chemical industries. In the machinery field, EASTERN WORLD was told, Kobe Steel Works are Japan's biggest manufacturer of crankshafts for marine Diesel engines, as well as of cement machinery, crushing plant, compressors and gas separating plant. This company occupies also a prominent place in Japan's non-ferrous industry with an emphasis on aluminium in March 1960 they became a licensee of Alcan Asia Ltd. and Aluminium Laboratories Ltd. of the Aluminium Limited Group of Canada), are the biggest titanium producer in Japan, and have established together with Sumitomo Metal Co. the first factory in



Kobe Steel Works, Nadohama Plant



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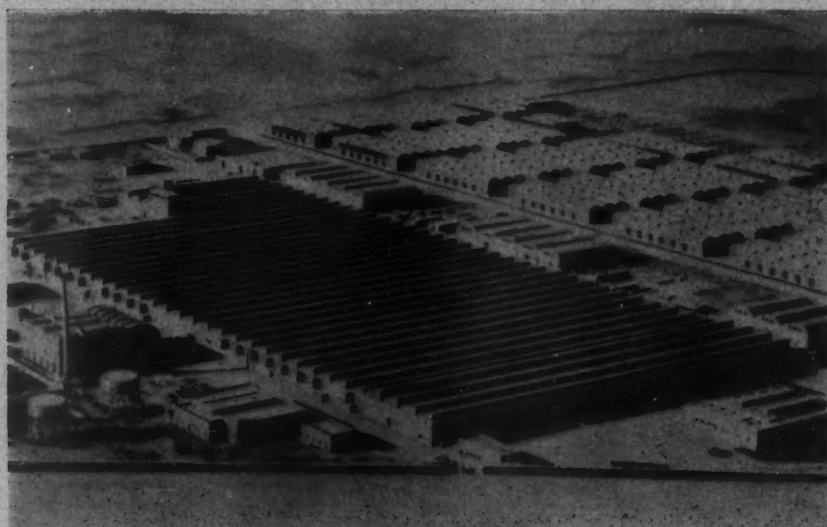
Japan to manufacture titanium sponge which is then processed into metal by Kobe Steel Works.

Kobe Steel Works Ltd. are engaged in a large-scale development and expansion programme to be completed in the 1965 fiscal year. For this scheme the company will spend £53.7 million during the three-year period (1960-1962 fiscal years), and a loan of US \$30 million has been secured from the Prudential Insurance Company of America to be used for a part of it, including the reclamation of sea space of 600,000 sq. meters adjoining the present site of the Nadahama plant and the erection thereon of a blast furnace of 1,000 ton daily capacity and other steel making and wire rod plant. Following the completion of this expansion programme, called Nadahama Plant Programme No. 2, Kobe Steel Works intend to embark on the construction of another integrated iron and steel plant at Kokogawa.

Industry's ten-year target

The new long-range economic plan of Japan (1961-1970)* which has the target of doubling the national income within this decade, says that in the private sectors of the Japanese economy, basic industries will continue to play an important role. The production of steel in 1970 is expected to amount to 48 million tons, and to achieve this goal it will be necessary to build 30 new blast furnaces, with a daily capacity of 2,000 tons each, in the next ten years. Not only quantitative expansion, but also the stable supply of inexpensive products to related industries will be required. The report says that in the case of mining and manufacturing industries "it is essential to secure an estimated 16,000,000 million yen required for equipment investment and accumulate owned capital for that purpose in the next 10 years. The sum includes 5,500,000 million yen for the machine industry, 3,000,000 million yen (£3,000 million) for the iron and steel industry and 2,500,000 million yen for the chemical industry."

*Prepared by Economic Planning Agency, published by The Japan Times Ltd. Price Yen 800.



SHELL STRUCTURES BY GAMMONS

This picture shows the Adamjee Cotton Mills and the Government Grain Storage Godowns. The Adamjee Cotton Mills consist of 294 bays, each 48ft. x 28ft. of continuous north light shells; together with 40 Godowns, each 40ft. x 30ft., of barrel shells. The total area covered amounts to some 450,000 sq. ft. The Grain Storage Godowns cover a total area of 350,000 sq. ft., consisting of Gamco Barrel Shells, each bay being 40ft. x 20ft.

The works were designed and constructed by Gammon Pakistan Ltd., and are typical of many other Factories and Mills constructed by the Gammon Group in Pakistan, India, Singapore and Ghana.

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Chemical Machinery and Plant

CHEMICAL machinery represents a very important sector of Japan's fast growing machinery industries and is supplying the increasing requirements of Japan's chemical industry. In addition, exports of chemical machinery and of complete plant are also growing, whereby Asian countries represent the main markets for this industry. The production of chemical machinery and equipment reached the value of £55.5 million in 1959, more than double the value of the 1955-56 annual figures. The imports of chemical machinery and equipment show also an increase (indicating the buoyant development of Japan's chemical industry) and were valued at £3.5 million in 1959, a considerable increase compared with the preceding years (with the exception of 1957, when these imports amounted to £4.2 million).

Japanese chemical machinery industry has been very active in the importation of western technological "know-how"; many well-known western makes are manufactured under licence in Japan which has greatly contributed to the development of Japan's chemical machinery production. These agreements have proved satisfactory to Japanese and western partners and further agreements of this type have been concluded recently and many others are being negotiated (see also April issue EASTERN WORLD pp. 36-37, "Technological Links with Japanese Firms"). In addition to technological agreements concluded by Japanese manufacturers of chemical machinery and plant, important agreements of this type were also concluded by Japanese chemical manufacturing firms with western manufacturers.

As the result of this development Japan's chemical machinery industry entered the export business and in 1948 the first export shipments of 30 centrifugal separators were made to India, followed by the supply of one ammonia refrigerator to the Philippines and of a few centrifugal dehydrators to India. The value of these exports was insignificant, but it was a beginning and since then big strides were made. In 1958 the exports of chemical equipment reached the value of £0.9 million and that of chemical process plants £8.9 million. The figures for 1959 were £1.6 million and £5.7 million respectively. Among notable exports of plant are an area fertiliser plant for Pakistan, and a chemical plant to Brazil.

Fertiliser plant for Pakistan

The natural methane gas urea fertiliser plant is being constructed in East Pakistan for the Pakistan Industrial Development Corporation by Kobe Steel Works Ltd., as prime contractor, in cooperation with Mitsubishi Heavy Industries Reorganised, Ishikawajima-Harima Heavy Industries, Fuji Electric Manufacturing Company and Meidensha Company. This plant is scheduled to produce over 100,000 tons of urea per annum. On December 16, 1960, the ceremony for the erection of the urea autoclaves (the construction of which featured the most difficult part of the whole project) was attended by Pakistani President Ayub Khan, Lt.-General H. I. Ahmad, PIDC Chairman, and Mr. Yasunami, Senior Managing Director of Kobe Steel Works Ltd. Earth moving operations were executed by Gammon Pakistan Ltd.

The entire process for this plant was designed by the Japan



Topping tower being shipped from Chiyoda factory

Gas-Chemical Company and the Sumitomo Chemical Industries Co., while the Japan Consulting Institute and the Chemical Construction Corporation of New York acted as consulting engineers, the New York firm providing the necessary technical know-how for the construction of this project. Among the machinery supplied by Kobe Steel Works were the large gas compressor, machines and equipment to synthesize ammonia with high pressure, as well as the equipment to liquefy carbon dioxide gas and ammonia gas into the urea-producing material.

Integrated "plant maker"

Chiyoda Chemical Engineering & Construction Co. Ltd., which was established in 1948 as an independent organisation out of the Construction Department of the Mitsubishi Oil Company, has been described to EASTERN WORLD as "the largest and foremost integrated 'plant maker' in the Far East". Due to steadily increased activities, the Company's capital has gradually swollen from one million Yen in 1948 to 600 million Yen in 1960, and on April 1, 1961, the capital was doubled again to 1,200 million Yen (£12 million). Chiyoda have cooperated with a number of well-known American and European oil and engineering companies which supplied the basic information in carrying out big construction projects in the fields of oil refining, chemical and plastics and allied industries in Japan. Equipment for oil refineries in Melbourne and Manila has been exported by Chiyoda, and negotiations for a number of contracts for export of plant (including for manufacturing of insecticides and of oil extraction continuous type plant) to some Asian countries are in progress. The strength of the Chiyoda organisation is their ability to undertake complete and integrated responsibility for all phases of a project, from the planning stage to construction and to "start-up" of production. At the new Chiyoda factory at Kawasaki (between Tokyo and Yokohama) which was completed in January 1960 highly modern facilities have been established for the fabrication of process equipment, including heat exchangers, coolers and condensers, high pressure vessels, distillation columns, chemical reactors, floating roof and spherical tanks and other equipment. The lay-out of machinery installed in this factory is well thought out on the principle of flow-line production. The Kawasaki factory is Japan's first factory which was specially designed for the manufacturing of equipment for the chemical and oil industries. The factory is conveniently situated for shipment of its products to overseas markets.

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Industrialists Speak...

PETROCHEMICAL INDUSTRY

MR. MINORU TSUZUKI, Managing Director, Mitsubishi Petrochemical Company Ltd., emphasised to *EASTERN WORLD*, that the petrochemical industry of Japan is a very young industry, and that the production of petrochemicals in Japan has started only a few years ago. Realising the importance of building up this young industry, the Japanese Government has been assisting it by granting certain privileges in financing (lower interest rates on capital received through the Bank of Development), some tax concessions, and also by allowing certain types of equipment to be imported duty-free. The industry has been built-up by Japanese manufacturers concluding technological "know how" agreements with leading western firms, and recently further arrangements of this type (e.g. for the manufacturing of polypropylene) have been concluded.

The development programme of petrochemical industry is at present in its second stage. The investment scheme of the Mitsubishi Petrochemical Company alone amounted to the equivalent of \$13 million during the first stage, and this company is investing additional £23 million for expansion and new projects of the second stage which will be completed by the end of 1962. The Mitsubishi Petrochemical Company was established in 1956 by a group of Mitsubishi companies and the financial and technical assistance of the Royal Dutch/Shell Group of Companies. The financial participation of Shell Group of Companies, including their Japanese subsidiary, in this company amounts to 32.5 per cent. In the technological field the Mitsubishi Petrochemical Company utilises Shell's experience in oil refining and manufacturing of petrochemicals.

Through the good offices of the Shell Co. of London, "know how" agreements were concluded, including that with BASF on the production of polyethylene (trade-mark YUKALON). Production started in July 1959, at a rate of 10,000 tons per annum, will increase to 25,000 tons by August 1961 and is to reach 50,000 tons per annum by the end of 1962. (Japan's total annual production of polyethylene is to reach by that time 190,000 tons, including about 150,000 tons of high pressure polyethylene.) The production of styrene monomer which began in May 1959 at an annual rate of 18,000 tons has been increased in the meantime to 33,000 tons, and is to reach 45,000 tons within the next two years (the Shell, The Hague, technique is being applied in the case of manufacturing of styrene monomer). There are plans for using Shell's "know how" and patents in some further lines like special resins. However, the Mitsubishi Company also applies some other foreign techniques, including those of Stone and Webster, and of Scientific Design Comp. Inc. (both of the United States) and of other firms.

Mr. Tsuzuki emphasised during the interview that in Japan the crude oil for petrochemicals is to be imported, while in the US ethylene is produced from natural gas (which is much cheaper), and that the American trade offensive in the petrochemical field on the Japanese market has compelled the Japanese manufacturers to cut their prices of high pressure polyethylene by 13 per cent (the same applied to synthetic rubber).

Yamaichi's Manual. Yamaichi Securities Co. Ltd., Tokyo, have published in October 1960 the first English edition of their manual which contains information on 811 well-established Japanese corporations. It is expected, that the last relaxation of restrictions on securities investments by foreigners will further the trend of increasing interest of foreigners in Japanese investments, and the reference book is of great importance in this connection. Recently a Geneva Investment Trust started to include in their portfolio Japanese shares bought through Yamaichi which also have their own Company in New York (Yamaichi Securities Co. of New York Inc.) with a branch office in Honolulu.

PROGRESS IN AGRICULTURE

KAZUHIKO MORINGA

THERE is a sharp contrast between agricultural conditions on both sides of the bamboo curtain. On the Japanese side bumper harvests have become a regular feature but behind the curtain in China there is a chronically poor harvest. The contrast is rooted deep in the economic structures of the two countries.

Japanese bumper harvests are supported by two factors. One is the price support system and the other is progress in agricultural techniques. As a result of agrarian reform after 1945, many tenant farmers have acquired their own land and are encouraged by the price support system to increase their production of rice. The Japanese price support system for rice has developed from rice rationing introduced during the war which had become necessary owing to the shortage. After the war, however, rationing gradually changed into a form of price support system as the production of rice increased. Under this system, the Japanese Government buys rice from farmers and sells it at a lower price to the consumers. This method protects both farmers and consumers from rapid price changes, and even after the shortage of rice had disappeared, the rationing system was maintained.

Imported rice and other grains are not rationed and people can take as much grain as they want.

The other element that makes it possible to increase rice production is the development of rice growing methods. Before the war, Japanese agriculture was vulnerable to bad weather; typhoons and early frosts causing crop failure and sometimes extensive famine in the countryside. Nowadays, thanks to improved methods of growing rice and the availability of good seed, the yield of rice per pad has increased rapidly. Today the bed of rice sprouts are covered by vinyl chloride sheets to keep the bed warm; transplanting of sprouts is carried out earlier and an early harvest made possible. Farmers can thus avoid the fatal effects of both the typhoon season and the early frosts. Furthermore, improved chemical fertilisers, insecticides and other scientific aids to agriculture help to improve the yield. Mechanisation of farming has progressed rapidly and one can find small trucks and ultra-small tractors in many a farmer's house.

All these things help to raise the productivity of rice growing and Japan is now almost self-supporting in this respect. The ratio of imported rice in the total supply of rice is now only two or three per cent compared with 19 per cent in 1934-36. Japan is importing rice from south-east Asian countries only from political considerations. Over three-quarters of the total grain consumed in Japan is rice.

When rice was in short supply the Japanese people had to accept substitutes for rice, and after the war a large amount of flour was imported and this together with skimmed milk was used to provide free meals for children. This food situation changed the diet of the Japanese people considerably. Consumption of bread increased rapidly and so did the consumption of dairy products. Japanese diet is gradually being westernised and even in the country the younger generation sometimes prefers western style food to the traditional Japanese dish. The physical condition of the younger generation is better than that of older generations thanks to better nourishment.

Formerly, a rice crop of 12 million tons was considered a bumper crop, but since 1955 this has become normal. With these increases, the ratio of rice consumption to total grain consumption has again been increasing and production of bread has begun to decrease. The trends in diet have been somewhat reversed, but the consumption of dairy products is still growing and western style food, introduced after the war, has been accepted into the Japanese diet. Owing to such large crops and the high support

price, earnings of rice growing farmers have increased considerably compared with pre-war years.

In recent years, however, the progress of Japanese industry has been much more remarkable than that of agriculture, and the difference between the standards of living in town and country has again begun to increase. It is felt that improving agricultural productivity is much more difficult than increasing industrial productivity. Even now, production per farmer in money value is only 35 per cent of that of the town worker. Many people, therefore, especially younger ones, are very eager to come to the towns, and there is a big movement of rural population towards the towns. Every year in March, graduates from country high schools come into the towns in groups in order to take industrial and commercial jobs. In the off-season for agriculture, farmers themselves become seasonal workers. As Japanese farms are small by western standards, the second and third sons of farmers have no land to inherit and have to find other jobs.

For these reasons the agricultural population is decreasing year by year and the present Ikeda Government is encouraging this tendency in order to improve the productivity of agriculture and supply more labour for booming industry. The percentage of agricultural households in Japan is now just over 30 per cent as against 44 per cent in 1930.

As the migration from village to town continues Japanese industry does not suffer the acute labour shortages or problems of full employment. There is of course some shortage of experienced and highly educated workers, but every year many new graduates from universities enter industry, and labour shortage never becomes a bottleneck in increasing economic activity. If and when the Japanese economy slackens, farming can absorb many unemployed industrial workers. In Japan there is a saying "You can always manage to live somehow in the country when you come back from the town."

Today, the way of life in the country is beginning to resemble that of the town. Before the war, the effect of western civilisation was virtually limited to the town. But nowadays, radio, television and other mass-communication media rapidly extend their influence in the countryside, and with improved transport town life and the latest Tokyo fashion is coming rapidly to the countryside. And improved earning of farmers helps such movements.

Production of Rice in Japan

Year	Thousand Tons	Year	Thousand Tons	Year	Thousand Tons
1937	6,000	1949	9,380	1955	12,380
1933	10,620	1950	9,650	1956	10,890
1945	5,870	1951	9,040	1957	11,460
1946	9,200	1952	9,920	1958	11,560
1947	8,790	1953	8,230	1959	12,360
1948	9,960	1954	9,110	1960	12,800

Index of Rice Yield per Acre (1934-36 100)

1951 — 109	1954 — 109	1957 — 128
1952 — 118	1955 — 139	1958 — 135
1953 — 99	1956 — 122	

Production of Bread

Year	Thousand Tons	Year	Thousand Tons	Year	Thousand Tons
1950	350	1954	733	1957	719
1951	527	1955	795	1958	717
1952	612	1956	765	1959	760
1953	603				

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Modern Flour Mills

A LONG with the growing of rice, alternate planting with wheat is becoming a practice of increasing importance in Japan. The annual wheat consumption has risen to about 150 million bushels in Japan, of which 55 million are grown in the country, while about 95 million are being imported. The increasing flour consumption has led to the development of the flour mill industry. Due to the large variety of types of wheat used in Japan and the multitude of different types of flour (45 types at present!) which the market requires, the Japanese miller attaches great importance to the exact control of his raw materials as well as of his finished products. Flour mills have been equipped with excellent laboratories and control installations which keep a close check on production. Since the war the new and reconditioned mills have been equipped with most modern plant and machinery.



Nitto Flour Mills & Co. Ltd., Tokyo, the biggest pneumatic flour mill in Japan

The Swiss firm of Buhler Brothers at Uzwil has during the last few years installed seven new pneumatic flour mills, and in addition has modernised the Kumamoto Seifun mill (see *EASTERN WORLD*, October 1960). It also supplied various machines and equipment to other mills. Among the latest installations is the Nitto Flour Mills' newest plant which is situated on the Harumi Pier in Tokyo. Two separate works have been installed in a single imposing building, and each plant has a capacity of 140 metric tons of wheat per 24 hours. One section is used for grinding hard wheat, the other for hard or soft wheat. This mill delivered by Buhler Brothers is the first flour mill in Japan which is equipped with Buhler's new type MPAD "Planostar" plansifter, the outstanding feature of which is its great capacity and at the same time simplicity in design and operation. This mill went into operation in October 1960 and the following month Buhler Brothers delivered a new mill to Showa Sangyo Co. Ltd. This 120 metric tons of grain per 24 hours' capacity mill has been erected in Tsurumi (between Tokyo and Yokohama) and includes a cleaning section with raw materials and settling bins, a fully pneumatic mill as well as a flour warehouse. In this mill Buhler machines are installed in a convenient and efficient 4-floor layout and the MDDC four-roller mills are equipped with pneumatic engaging and disengaging of the rolls, power-saving roller bearings, water cooling and UNIC speed regulators. One of the Showa Sangyo millers has recently completed his further training at the Swiss Flour-Milling School at St. Gall.

Japanese manufacturers of macaroni have been ordering machinery from Buhler Brothers too, and at the Nippun Shokuryo plants in Tokyo all dryers are equipped with the new patented Buhler automatic climate regulators which guarantee perfect drying even during unfavourable weather. Among the latest contracts is a Buhler plant, including a press, shaking pre-dryer, a belt pre-dryer, as well as one "Universal" dryer, which is being put into operation by Marutsuna Shoten at Osaka.

Mixed feed plants

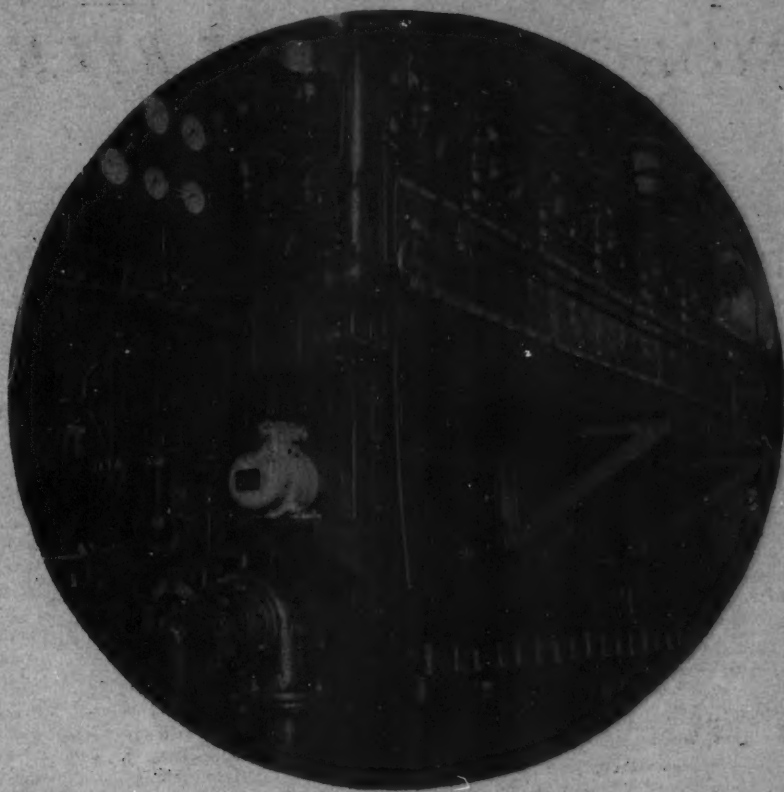
Buhler Brothers are also very active in building large modern mixed feed plants in Japan, and it is estimated, that by spring 1962 a minimum of 275 metric tons of mixed feed per hour will be manufactured in Japan with Buhler machines. In autumn 1960 Buhler completed the highly modern plant from continuous feed mixing for the National Federation of Agricultural Cooperative Purchasing Association (NFA), Tokyo, at Kawaasaki Harbour. These works have a capacity of 60 tons per hour and are the largest of their type yet built by Buhler. The principal components of the feed are maize and molasses, the latter being imported from the Philippines. It consists of three separate mixing lines working on the continuous system, the first line being used for preparing scratch feed (grain mixtures for poultry as well as for the manufacture of feed containing between 35 and 50 per cent molasses), the second line is equipped for producing poultry feed, and the third line manufactures mixed feed for cattle and pigs.

This summer erection will begin on another even bigger plant, a 75 to/h Buhler installation for the well-known Japanese Feed Manufacturer Nihon Nosan Kogyo Co. Ltd. This enterprise is one of the most advanced Mixed Feed Manufacturers of Japan and owns a renowned research laboratory in Yokohama with experimental farms for poultry, cows and pigs. Because Nihon Nosan requires an exceptionally high standard from their feed qualities, Buhler Brothers built into their research laboratory in Uzwil, a climate-chamber, in which they study various problems under actual "Japanese climatic conditions".

The new Mixed Feed plant is being built in the harbour of Yokohama and comprises an elevator for 8,000 tons of wheat and 1,800 tons of mealy products as well as a complete mixed feed mill with an initial capacity of 75 tons per hour. A later extension is already accounted for. Control of the batch-mixing units is exercised by reliable automatic punched card systems, which Buhler has first introduced to Japan some time ago.

A Buhler factory operating on the batch-mixing principle has been put into service at the Kobe Minato Shiryō Co., Kobe, at the beginning of this year. It has a mixing capacity of 20 tons per hour, but has been designed in such a way that a second line could be added which would double the present manufacturing capacity. Both above-mentioned plants are equipped with Buhler Fluifit conveyors. At present several contracts for mixed feed and oil mills in Japan are under construction by Buhler Brothers, including one soya flaking plant (capacity 450 metric tons per 24 hours), an oilseed crushing and flaking mill for simultaneous processing of 350 tons of soybeans and 230 tons of rapeseed a day (Tohama Oil Co. of Nagoya), a soybean flaking plant with a capacity of 300 tons in 24 hours (Yoshihara Seiyū Oil Co. of Osaka). The feed mill being built for Yuki Jirushi Shubyo Co. of Sapporo, will be the first feed mill built into a steel frame, and will have a capacity of 10 metric tons per hour.

In addition, Buhler grain elevators and a large number of Type SKT marine legs for unloading grain (which can be also adopted for the handling of raw sugar, phosphate, soda, salt, cement and other fine grained chemical products) have been supplied to Japan, where this Swiss Company maintains the "Buhler Far East Engineering Office" in Tokyo, manned by a permanent advisory staff of Swiss experts.



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ECONOMIC GROWTH OF RYUKYUS

By STUART GRIFFIN, NAHA

RECONSTRUCTION, a somewhat outdated word in the current Ryukyuan island economy's vocabulary, appears to have given way, thankfully, to the more forward-looking term, development. As an expert on the Ryukyus expresses it: "By standards of statistical measurement, these islands have progressed beyond their prewar economic status" which he then qualifies by calling this "a status none too good to start with".

The accent, as retired US High Commissioner Lt.-Gen. Donald P. Booth himself always emphasized, was Civil Administration priority to economic problems and their solution. Under him the US-occupied Ryukyu Islands' dual governmental agencies—the USCAR (United States Civil Administration of the Ryukyus) and the GRI (Government of the Ryukyu Islands)—have taken the plunge to boost a small but expanding income into something more viable and bustling.

The means taken was an ambitious Five-Year Plan that aimed at erasing the \$80.5 million trade gap between imports of \$100.5 million and exports of only \$20 million, to increase the national income by 1965 to the present Japanese per capita income level of \$258, by expanding tourist facilities, attracting investments, and introducing new industrial schemes.

General Booth said many times: "all of this part of Asia is advancing economically. The Ryukyus should at least keep up." Efforts in that direction were, of course, made with this end in mind: a profitably-employed civilian populace is the optimum atmosphere in which the military mission can best be accomplished.

Where does Okinawa stand today, in comparison with the 46 prefectures of Japan to which many Okinawans and certainly almost all Japanese would like to see the Ryukyus returned?

The latest figures show that the Pacific island group ranks above eight of ten Japanese prefectures, the poor, rice-importing ones, of course. This signifies an advance when the Ryukyus came in a bad last, 20 years ago, ironically, under the rule of the very Japanese who would like the former territory back. Nowadays, of course, the island economy is anchored firmly to the US by virtue of the fact that the common island currency is the dollar.

Specifically, what is the United States doing to get the Ryukyuan economy going?

There is a big public works programme—interior roads, harbours and ports, hydroelectric power, and water reservoirs—geared primarily, however, to US military needs. A top project is a big new \$18 million electric power plant building in northern Okinawa, and though servicing the foreign community by night-time, it gives much daytime power use for the expanding industries.

There is the ambitious Iriomote development plan, which would see basic resources such as lumber, water-power and coal exploited on the Ryukyuan second largest island. It is significant in that it represents something of a major departure from original High Command thinking which saw the Ryukyus economically as a light industry centre, and poured money into enterprises like sugar refining, hat-making offshore fishing, basket-weaving and ceramics.

The flashy development of Naha, the showpiece capital, is no longer of the interest it once was, not under the Five-Year Plan. This Plan envisages a scheme to institute a gradual move from agriculture to more productive industries, though still spurring a balanced land reform programme, more efficient use

of land, and proper modernized farming techniques; plans for scientific forestry and increased irrigation; development of rural and cottage industries to supplement incomes from fishing and farming, and the development of the local fleet, fish processing and marketing facilities. Savings are being directed into productive investments, into what is being called here "economic diversification". Exports of \$50 million annually are being pointed towards, with suitably large slashes of expensive foreign imports, reckoning eventually with cuts in US military aid "spoon-feeding disbursements".

High Command officials deplore the "manifest lack of capital so necessary to build the kind of economy needed to provide increased living standards for a growing population". They are scheming to attract this capital by offering tax concessions and benefits in swift repatriation. They insist that the establishment of the Free Trade Zone helped, that the conversion to US currency opened up new credit sources to business enterprises and that the establishment of the Ryukyuan Development and Loan Corporation, with assets of over \$23 million, has done much to provide a continuing source of funds for productive purposes.

USCAR no longer holds interests in the Naha Port Area warehouses and now buys petroleum, oils and lubricants on the competitive bid basis. USCAR has also turned over rice distribution to private enterprises and has sold its interest in the Ryukyuan Life Insurance Company.

The High Command has spurred construction of a new 80,000 Kwh power plant at Kin; an integrated water supply system enhanced by completion of water mains from Kadens to Naha; the extension of the island-wide power system 75 miles up-island to the Nago area; a new Civil Air Terminal at Naha, and the development of Highway One, the reclamation at Ishigaki harbour and the bridge-building at the mouth of Shiroya Bay.

All state that great financial reliance is still placed on the income from the military establishment and look forward to when this dependence can be reduced, though they admit that improvement is not being accomplished quickly enough.

The US military still dream of making Okinawa "a second Hong Kong" but the thoughts seem stray and unrealistic, for Okinawa, unlike the thriving British crown colony, lacks a self-supporting economy, the capital required, the long historic tradition of serving as an entrepot trade port, the distribution network, and the abundance of skilled and semi-skilled as well as managerial talent.

It has been pointed out that it is a mistake to view the Ryukyus as an isolated little entity in the ocean. It would be far wiser, many feel, to regard the islands as an integral part of Japan, however long the tenure in US hands may have to be for strategic, politico-military and even economic reasons. In miniature, the islands pose all the problems, all the questions and have all the flaws of the Japanese economy, primarily, of course, insufficient land, insufficient raw materials, and a burdensomely big population.

To do anything with Okinawa, as in Japan's case, the solution lies in manufacturing for export. This the Civil Administration authorities have finally realized and have decided to do something about implementing it. The Five-Year Plan is the biggest thing in sight by which such export manufacturing may some day be achieved. It has come late on the scene, but fortunately, in all likelihood, not too late. It could save the Ryukyus from permanent penury and a need for military spending handouts. It could help them as indeed it has Japan.

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tons in 1960. Lignite production continued to increase in 1960. Total output passed from 141,000 tons in 1959 to 149,000 tons in 1960.

Foreign Trade

Thailand's foreign trade continues to develop. In 1960, the total exports of the country reached 8,700 million baht, as compared with 7,600 million baht in 1959, or an increase of about 15 per cent. At the same time imports have also passed from 9,000 million baht in 1959 to 9,500 million baht in 1960.

The increase in exports during 1960, was the result of an increased demand for Thai goods in foreign markets, in general, as well as the result of world political tension which forced a certain number of countries to stockpile certain strategic materials such as rubber, tapioca flour and some mineral products such as tin and zinc. During 1960, rice and rubber continued to be the most important export items of the country, although the percentage has fallen somewhat as compared to that of 1959, i.e. from 34 per cent to 30 per cent for rice and from 31 per cent to 30 per cent for rubber.

The volume of rice exported in 1960 totalled 1,200 million metric tons worth 2,600 million baht as against 1,100 million metric tons worth 2,576 million baht. The export of rubber has fallen from 175,000 metric tons worth 2,400 million baht to 170,000 metric tons, worth 2,600 million baht. The export of tin also showed an increase. In 1960, the total exported was 17,200 metric tons, worth 540 million baht, while the total for 1959 was only 14,000 metric tons, worth 435 million baht. The export quota of tin allotted to Thailand by the International Tin Council reached 9 per cent during July-September 1960. Incidentally, the price level of tin has during 1960 decreased by 0.34 per cent as compared with 1959, while during 1959, it was increased by nearly 13 per cent as compared with 1958.

The principal buyers of Thai rice in 1960 were: Singapore—209,000 metric tons, worth 460 million baht; Malaya—195,000 metric tons, worth 400 million baht; Hong Kong—180,000 metric tons, worth 396 million baht; Indonesia—138,000 metric tons, worth 340 million baht; Japan—90,000 metric tons, worth 150 million baht and Saudi Arabia—86,000 metric tons, worth 184 million baht. Tin was sold principally in 1960 to Malaya: 10,000 metric tons (78 per cent); USA: 1,200 metric tons (9 per cent); Brazil: 1,100 metric tons (8 per cent) and Singapore: 390 metric tons (3 per cent). Other important export items were teak, tapioca flour, cattle, kenaf and castor seed. In 1960, 102,000 cubic meters of teak, worth about 358 million baht were exported, but it was outranked by corn which passed from 237,000 metric tons, worth 250 million baht in 1959 to 514,000 metric tons, worth 550 million baht in 1960 or an increase of about 50 per cent both in volume and in price. Another spectacular export item in 1960 was tapioca flour, totalling 238,000 metric tons, worth 267 million baht; as against about 150,000 metric tons, worth 194 million baht in 1959.

The following table shows the export position of some of the most important products in 1960 as compared to that of 1959:

	1960	1959	
Rice (metric tons)	1,207,957	1,091,671	+
Rubber (metric tons)	169,812	174,404	-
Tin (tons)	17,183	13,737	+
Teak (cubic meters)	101,155	73,253	-
Corn (metric tons)	514,266	236,781	+
Tapioca flour (metric tons) ...	237,874	149,248	+
Jute and Kenaf	61,951	37,317	+
Castor Seed	23,978	31,431	-

Imports in 1960 were still higher than exports because the national policy of economic development and domestic investment promotion has been strongly implemented. An increasing amount of investment goods, such as equipment, machinery and chemical products, has been imported. The Government has been up to now able to purchase whatever was needed for the country's development, which in turn, will eventually strengthen the country's ability to export.

The total amount of imports passed from 9,000 million baht (1959 figure) to 9,500 million baht in 1960, an increase of about 6 per cent. The more important items, such as manufactured goods and transport equipment totalled nearly 58 per cent, i.e. manufactured goods worth 3,300 million baht and transport equipment worth 2,400 million baht, an increase in value of 4.95 per cent and 7.60 per cent respectively. Capital goods should amount to one-third of the total imports and reached in 1960, about the same figure as in 1959, i.e. 3,300 million baht or about 37 per cent of the total annual imports. During 1960 the import of crude materials increased by nearly 95.8 per cent passing from 71 million baht in 1959 to about 139 million baht in 1960. The second most important increase (apart from miscellaneous transactions which increased by 56 per cent) concerned mineral fuel which reached nearly 10 per cent passing from 946 million baht in 1959 to 1,024 million baht in 1960. The imports of a certain number of products showed a decrease during 1960, as compared to the preceding year. The most spectacular decrease concerned animal and vegetable oils and fats which was nearly 39 per cent less. Imports of beverages and tobacco also fell by more than 37 per cent, and food by about 13 per cent.

Balance of Trade and Balance of Payments

1960 showed further improvement of the country's balance of payments. The trade deficit passed from Baht 1,430 million in 1959 to Baht 840 million, a decline of about Baht 590 million. This was because of the fact that while the volume of imports increased by about 5 per cent, that of exports increased by about 12 per cent, and at the same time the prices for exports have risen by about 3 per cent as against only about 2 per cent for imports. The deficit mentioned above was financed by private persons and foreign governments (about Baht 1,130 million). The net inflow of private capital which totalled about Baht 230 million consisted of direct investment, portfolio investment, loans and advance and goods imported on a deferred payment basis. Foreign aid and loans amounted to about Baht 1,310 million. Even after deducting different repayments and payments, a net inflow of about Baht 900 million still remained. Since at the end of the year, the balance of payments on current account showed a deficit of about Baht 565 million, and a net inflow was about Baht 1,130 million, the gain in the international reserves should have been only about Baht 565 million. In fact, the increase in reserves rose to about Baht 1,020 million or about Baht 455 million more than the expected amount. The discrepancy between these two figures should be attributed to the incomplete recording of the data and to the importation of foreign funds for investment purposes.

An adverse balance of payments is not yet a serious question for the country. As Thailand is in the middle of its development period it has great need of importing capital goods. Most of these goods entered the country without necessitating any cash payments, for most of them are foreign aids or are the result of contracts. If the development plan is implemented and Thailand

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Bank deposits reached at the end of December 1960 5,500 million baht as compared to 4,200 million baht at the end of 1959, an increase of 24 per cent. Of the deposits, Government deposits were 435 million baht, as against 740 million baht in 1959, a decrease of about 40 per cent.

At the end of 1960, the total amount of commercial bank loans still outstanding increased by 1,000 million baht to 5,000 million baht as against 4,000 million in 1959.

The total borrowings of commercial banks outstanding at the end of 1960 was 1,100 million baht as against 1,033 million baht in 1959, an increase of 65 million baht.

The average cash reserve of commercial banks was during 1960 13.35 per cent or 671 million baht, as compared to 14.78 per cent in 1959 or 677 million baht, a diminution of more than 1 per cent.

Liquid assets of commercial banks remained at about 24 per cent of deposits, about the same level of 1959 which was about 25 per cent.

At the end of 1960, the money supply was about 10,000 million baht, an increase of about 950 million baht, as compared to 9,100 million in 1959. The increase in money supply was mainly the result of an increased loan by the Bank of Thailand to the Government and the expansion of credits by commercial banks in the private sector.

At the end of 1960, the bank notes issued by the Bank of Thailand totalled about 6,751 million baht. This amount is backed by 100 per cent of reserves, which is composed as follows:

1. Foreign exchange (\$ and £)	41.20%
2. Gold	30.87%
3. Foreign currency bonds	1.94%
4. Thai treasury bills	13.55%
5. Thai government bonds	10.04%
6. Gold subscription to IMF	2.40%

100.00%

begins to export more, foreign exchange gained therein will compensate the present loss.

Financial Situation

The Government revenue during 1960 was estimated at 6,800 million baht, as against 6,050 million in 1959 or an increase of about 17 per cent and total expenditure was estimated at 6,560 million baht. At the end of 1960 Government borrowing from local sources amounted to 7,100 million baht, consisting of 5,000 million baht from the Bank of Thailand and 2,100 million baht from other sources. During 1960, the Government issued 2,525 million and \$23 million of bonds. The Bank of Thailand bought 1,120 million baht and 320 million baht were bought by the public. At the same time, the Government redeemed about 2 million baht. At the end of 1960 foreign debt amounted to 37.5 million dollars. During the year, the Government also issued coins amounting to about 8 million baht.

Thailand continued, during 1960, to receive long-term (capital) loans as well as external assistance from various nations and organizations. IBRD loans and other official loans were 275 million baht and 380 million baht respectively (in 1959 the figures were 290 million baht and 245 million baht respectively). Other long-term capital loans fell, however, from the 185 million baht figure in 1959 to only 74 million baht in 1960. Foreign economic assistance and donations came mostly from the US ICA aids which amounted to 620 million baht in 1960 (756 million baht in 1959). Aids from other sources such as the UN and its Specialized Agencies, the Colombo Plan Organization and other foreign governments amounted to 52 million baht (80 million baht in 1959).

Monetary and Banking Situation

During 1960, the number of commercial banks, both foreign and domestic remained at 27, the same number as at the end of 1959. However, during the year, 45 new branches were opened



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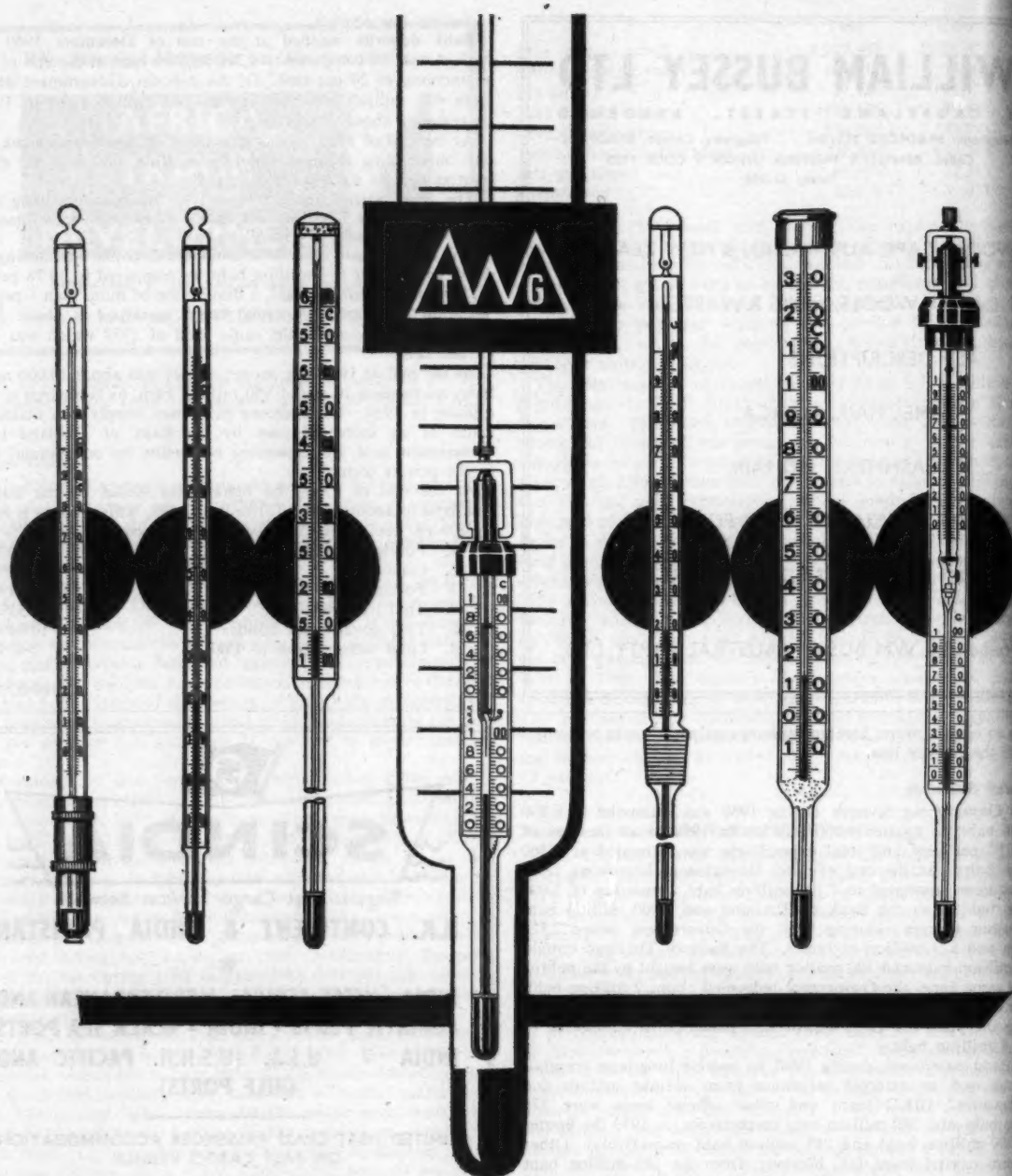
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